authorized representative shall operate to suspend such firm or individual throughout the Department of Defense has been added to § 400.605-1 as follows:

§ 400.605 *Suspension of bidders.*

§ 400.605-1 *Causes and conditions under which departments may suspend contractors.* The Secretary of a Department or his authorized representative may, in the interest of the Government, suspend a firm or individual suspected of having committed fraud or a criminal offense as an incident to obtaining, attempting to obtain, or in the performance of a contract. Suspension of a firm or individual by the Secretary of a Department or his authorized representative shall operate to suspend such firm or individual throughout the Department of Defense.

(R. S. 161; 5 U. S. C. 22. Interpret or apply 62 Stat. 21; 41 U. S. C. 151-161)

T. P. PIKE,
Assistant Secretary of Defense (Supply and Logistics).

[F. R. Doc. 54-9337; Filed, Nov. 26, 1954; 8:45 a. m.]

PART 405—FOREIGN PURCHASES

APPLICABILITY OF BUY AMERICAN ACT

A new § 405.103-3 has been added, clarifying the applicability of the Buy American Act to supplies manufactured from scrap metals. The former §§ 405.103-3 and 405.103-4 become §§ 405.103-4 and 405.103-5, respectively, as follows:

§ 405.103 *Applicability of Buy American Act.*

§ 405.103-3 *Secondary materials.* The prohibitions of the Buy American Act do not apply to supplies manufactured in the United States substantially all from scrap generated, collected, and prepared for processing in the United States.

§ 405.103-4 *Geographical application.* The Buy American Act applies only to (a) supplies for public use within the United States and (b) construction work on public buildings or public works within the United States. As used in the Buy American Act and in this section, the term "United States" includes the United States, its territories and possessions.

§ 405.103-5 *Nonavailability of supplies or materials.* The Buy American Act does not apply (a) to supplies which are not mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, or (b) to such materials from which the supplies to be used are manufactured, as are not mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, except that this does not permit delivery of supplies manufactured outside the United States if such supplies are manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality. This section shall be applied and used only in accordance with procedures prescribed by each respective Department.

(R. S. 161; 5 U. S. C. 22. Interpret or apply 62 Stat. 21; 41 U. S. C. 151-161)

T. P. PIKE,
Assistant Secretary of Defense, (Supply and Logistics).

[F. R. Doc. 54-9338; Filed, Nov. 26, 1954; 8:45 a. m.]

PART 406—CONTRACT CLAUSES AND FORMS

REQUIRED CLAUSES; NONDISCRIMINATION IN EMPLOYMENT

The references in §§ 406.103-18 and 406.203-18 are changed from § 411.803 to § 411.804, as follows:

§ 406.103 *Required clauses.* * * *

§ 406.103-18 *Nondiscrimination in employment.* Insert the clause set forth in § 411.804 of this subchapter.

§ 406.203 *Required clauses.* * * *

§ 406.203-18 *Nondiscrimination in employment.* Insert the contract clause set forth in § 411.804 of this subchapter.

(R. S. 161; 5 U. S. C. 22. Interpret or apply 62 Stat. 21; 41 U. S. C. 151-161)

T. P. PIKE,
Assistant Secretary of Defense (Supply and Logistics).

[F. R. Doc. 54-9339; Filed, Nov. 26, 1954; 8:45 a. m.]

PART 411—LABOR

SUBPART H—NONDISCRIMINATION IN EMPLOYMENT

Subpart H has been revised in its entirety as follows:

AUTHORITY: §§ 411.801 to 411.805-7 issued under R. S. 161; 5 U. S. C. 22. Interpret or apply 62 Stat. 21; 41 U. S. C. 151-161.

§ 411.801 *Basic requirement.* In accordance with the requirements of Executive Order 10557, dated September 3, 1954, contracts entered into by the Departments, with certain exceptions as set forth in § 411.802, are required to contain a clause, prescribed by the Executive Order, obligating the Contractor not to discriminate against any employee or applicant for employment because of race, religion, color or national origin, and further obligating the Contractor to insert a similar provision in his subcontracts.

§ 411.802 *Applicability.* The nondiscrimination requirements are applicable to prime contracts and first-tier subcontracts as herein provided.

(a) The nondiscrimination clause set forth in § 411.804 shall be included in all contracts involving the employment of labor except: (1) Contracts to be performed outside the continental United States where no recruitment of workers within the continental United States is involved, and (2) contracts to meet other special requirements or emergencies, if recommended by the Committee on Government Contracts. See § 411.803.

(b) The Contractor is required to insert paragraph (a) of the nondiscrimination clause set forth in § 411.804 in his subcontracts involving the employment of labor, except (as provided in the Executive Order) subcontracts of the kind described in paragraph (a) (1) and (2) of this section and subcontracts for standard commercial supplies or raw materials.

§ 411.803 *Special requirements or emergencies.* Where it is determined that special requirements or emergencies involved in a particular procurement are such that use of the clause set forth in § 411.804 in a contract or subcontract is impracticable, the Contracting Officer may request authority to omit the clause. Such requests will be submitted in accordance with Departmental procedures, together with all pertinent facts, to the Assistant Secretary of Defense (Supply and Logistics). The request shall then be coordinated with the President's Committee on Government Contracts.

§ 411.804 *Contract clause.* The nondiscrimination clause required by § 411.801 shall be as follows:

NONDISCRIMINATION IN EMPLOYMENT

(a) In connection with the performance of work under this contract, the Contractor agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of the nondiscrimination clause.

(b) The Contractor further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

§ 411.805 *Administration.* The Administration of the nondiscrimination clause shall be in accordance with the following policies and procedures.

§ 411.805-1 *Educational responsibility.* (a) Contracting officers and other personnel concerned with procurement shall, in accordance with Departmental procedures, be apprised of their responsibility in obtaining compliance with the nondiscrimination clause through education, and, where appropriate, mediation, conciliation, and persuasion.

(b) The Department shall publicize the nondiscrimination policy to prospective contractors and shall make available to contractors information concerning their responsibilities under the nondiscrimination clause.

§ 411.805-2 *Posting of notices.* To the extent required by § 411.804, Contracting Officers shall provide to prime Contractors copies of the notice (Dept. of Labor Req. No. 1074, GPO Jacket No. 300378) referred to in the nondiscrimination clause. Prime Contractors shall be required to obtain from the Contracting Officer copies for first-tier subcontractors.

§ 411.805-3 *Compliance reviews.* (a) Departmental procedures governing contract administration shall include a requirement for review and appraisal of Contractors' compliance with the provisions of the nondiscrimination clause. Where contract administration customarily includes review of subcontractors' performance, review, and appraisal of subcontractor, compliance with the nondiscrimination provision shall be required.

(b) Special reviews of representative contractors shall be conducted by the Departments in order to measure progress in the nondiscrimination program and to furnish educational data in connection with the program.

§ 411.805-4 *Complaints.* The Departments will promptly investigate complaints based upon alleged noncompliance with the provisions of the nondiscrimination clause, provided such complaints contain the following identifying information:

(a) The name and address of the Contractor or subcontractor alleged to have violated the provisions of the nondiscrimination clause;

(b) A description of the acts believed to be in violation of the nondiscrimination clause, including, where known, names of Contractor's personnel involved, and dates of alleged incidents;

(c) The name and address of each person who believes himself aggrieved by the alleged violation of the clause, and

(d) Other pertinent information which will assist investigation and resolution of the complaint.

§ 411.805-5 *Incomplete complaints.* To avoid unwarranted investigation of allegations which do not provide the essential information set forth in § 411.805-4, Departments may return such allegations to the originating source, specifying the additional information required.

§ 411.805-6 *Processing of complaints.* Complaints may be submitted to the President's Committee on Government Contracts, the Secretary of Defense, or the Military Departments. Normally, complaints should be submitted to the Military Department concerned through the cognizant Contracting Officer. Complaints submitted to the Military Departments in accordance with § 411.805-4, and determined to involve a Government contract or subcontract, shall be processed in accordance with departmental procedures which will assure:

(a) Prompt investigation of statements and allegations contained in the complaint. Such investigation should include, where necessary, (1) A review of the pertinent personnel practice of the Contractor or subcontractor concerned, (2) the circumstance under which the discriminatory action is alleged to have taken place, and (3) such other factors which may determine whether the Contractor or subcontractor in the particular case complied with the provisions of the nondiscrimination clause set forth in the contract concerned.

(b) Resolution of complaints by conciliatory means whenever possible.

(c) The preparation and submission, through prescribed channels, of a report to the President's Committee on Government Contracts setting forth (1) a copy of the complaint together with a summary of the investigative action performed by the Department concerned, (2) corrective action taken or recommended by the Department where investigation discloses a need for such action, (3) recommendations or comments in connection with the complaints which investigation disclosed as unfounded, and (4) information that the Department considers should be brought to the attention of the President's Committee.

§ 411.805-7 *Reporting channels.* Reports in connection with complaints shall be forwarded, in duplicate, through Departmental channels to the Assistant Secretary of Defense (Supply and Logistics) for transmittal to the President's Committee on Government Contracts.

T. P. Pike,
Assistant Secretary of Defense (Supply and Logistics).

[F. R. Doc. 54-9340; Filed, Nov. 26, 1954; 8:45 a. m.]

TITLE 32A—NATIONAL DEFENSE, APPENDIX

Chapter I—Office of Defense Mobilization

[Defense Mobilization Order VII-7, Amdt. 2]

DMO VII-7—Maintenance of the Mobilization Base

MISCELLANEOUS AMENDMENTS

Defense Mobilization Order VII-7 is hereby amended as follows:

1. In subparagraph 3A2, delete the last sentence.

2. Delete subparagraph 4A4.

3. Add a new paragraph 5 reading as follows:

5. The Department of Defense, the Atomic Energy Commission and the Maritime Administration shall furnish the Director of the Office of Defense Mobilization with such periodic and special reports as he may require of their activities affecting the maintenance of the mobilization base.

4. Renumber old paragraph 5 to read "6".

This amendment shall take effect immediately.

Office of Defense Mobilization,
Arthur S. Flemming,
Director.

[F. R. Doc. 54-9477; Filed, Nov. 26, 1954; 11:54 a. m.]

PROPOSED RULE MAKING

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[26 CFR (1954) Part 240]

WINE

NOTICE OF PROPOSED RULE-MAKING

Notice is hereby given, pursuant to the Administrative Procedure Act, approved June 11, 1946, that the regulations set forth in tentative form below are proposed to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. Prior to the final adoption of such regulations, consideration will be given to any data, views, or arguments pertaining thereto which are submitted in writing, *in duplicate*, to the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington 25, D. C., within the period of 15 days from the date of publication of this notice in the FEDERAL REGISTER. The proposed regulations are to be issued under the authority contained in section 7805, of the Internal Revenue Code (68A Stat. 917; 26 U. S. C. 7805).

[SEAL] O. GORDON DELK,
Acting Commissioner of Internal Revenue.

PART 240—WINE

Preamble: 1. These regulations, Part 240, Title 26, of the Code of Federal Regulations, shall, on and after January 1, 1955, supersede Regulations 7, 1945 edition (26 CFR Part 178; 10 F. R. 12307) as amended by Treasury Decisions 5575 (12 F. R. 5947), 5584 (12 F. R. 7658), 5717 (14 F. R. 4898), 5738 (14 F. R. 5521), 5798 (15 F. R. 4783), 5824 (16 F. R. 122), 5830 (16 F. R. 1675), 5895 (17 F. R. 3640), 6032 (18 F. R. 4401), 6045 (18 F. R. 6732), 6075 (19 F. R. 4025) and 6084 (19 F. R. 5059).

2. These regulations shall not affect any act done or any liability or right accruing or accrued, or any suit or proceeding had or commenced in any civil cause before the effective date of these regulations.

AUTHORITY: §§ 240.1 to 240.1029 issued under 68A Stat. 917; 26 U. S. C. 7805. Other statutory provisions interpreted or applied are cited to text in parentheses.

SUBPART A—SCOPE

§ 240.1 *Production and removal of wine.* Regulations in this part relate to the production and removal of wine, including special natural wine and effervescent wine, from bonded wine cellars. The regulations cover the establishment and operation of bonded wine cellars for the production, amelioration, sweetening, addition of wine spirits, blending, and other cellar treatment, storage, taxpayment, transfer to customs manufacturing warehouse and removal for exportation, for experimental or research purposes by scientific institutions, for analysis or testing by or for the proprietor of a bonded wine cellar, for use of the Government of the United States, for analysis, testing, research or experimentation by the governments of the several States, for use as distilling material, or for use in the manufacture of vinegar.

§ 240.2 *Forms prescribed.* The Director, Alcohol and Tobacco Tax Division is authorized to prescribe all forms required by this part, including bonds, applications, notices, reports, returns, and records. Information called for shall be furnished in accordance with the instructions on the forms or issued in respect thereto.

SUBPART B—DEFINITIONS

§ 240.10 *Meaning of terms.* As used in this part, except as otherwise indicated in the context, terms shall have the meanings ascribed in this subpart.

§ 240.11 *Agricultural wine.* "Agricultural wine" shall mean wine made from suitable agricultural products other than the juice of grapes, berries, or other fruits.

§ 240.12 *Allied products.* "Allied products" shall mean commercial fruit products and by-products not taxable as wine.

§ 240.13 *Amelioration.* "Amelioration" shall mean the addition to juice or wine, before or during fermentation (in fermenters or intermediate storage), of either water or pure sugar, or a combination of water and pure sugar, to adjust the acid content or to develop alcohol by fermentation.

§ 240.14 *Artificially carbonated wine.* "Artificially carbonated wine" shall mean effervescent wine artificially charged with carbon dioxide.

§ 240.15 *Assistant Regional Commissioner.* "Assistant Regional Commissioner" shall mean the Assistant Regional Commissioner, Alcohol and Tobacco Tax, who is responsible to, and functions under the direction and supervision of, the Regional Commissioner of Internal Revenue.

§ 240.16 *Bonded wine cellar.* "Bonded wine cellar" shall mean premises established under the provisions of subpart C, and shall include premises designated as "bonded winery."

§ 240.17 *Commissioner.* "Commissioner" shall mean the Commissioner of Internal Revenue.

§ 240.18 *Container.* "Container" shall mean any case, cask, barrel, keg, pipeline, tank, tank truck, railroad tank car, or other approved container (except bottles having a capacity of one gallon or less) used to remove wine from bonded wine cellars.

§ 240.19 *Director, Alcohol and Tobacco Tax Division.* "Director, Alcohol and Tobacco Tax Division," shall mean the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Treasury Department, Washington, D. C.

§ 240.20 *District director.* "District director" shall mean the district director of internal revenue.

§ 240.21 *Effervescent wine.* "Effervescent wine" shall mean sparkling wine and artificially carbonated wine.

§ 240.22 *Foreign wine.* "Foreign wine" shall mean wine produced outside the continental United States, Alaska, and Hawaii.

§ 240.23 *Fruit wine.* "Fruit wine" shall mean wine made from the juice of sound, ripe fruit (including berries) other than grapes.

§ 240.24 *Gallon.* "Gallon" or "wine gallon" shall mean a United States gallon of liquid measure equivalent to the volume of 231 cubic inches.

§ 240.25 *General bonded area.* "General bonded area" shall mean the unsegregated portion of the bonded wine cellar not set aside and designated for a particular use.

§ 240.26 *Heavy bodied blending wine.* "Heavy bodied blending wine" shall mean wine made from fruit without added sugar, with or without added wine spirits, and conforming to the definition of natural wine in all respects except as to maximum total solids content.

§ 240.27 *In bond.* "In bond," as applied to wine or wine spirits, shall mean wine or wine spirits possessed or in transit under any bond required by this part.

§ 240.28 *Including.* "Including" shall not be deemed to exclude things other than those enumerated which are in the same general class.

§ 240.29 *Inclusive language.* Words in the plural form shall include the singular and vice versa, and words in the masculine gender shall include the feminine, a trust, estate, partnership, company, or corporation.

§ 240.30 *Intermediate storage.* "Intermediate storage" shall mean storage of wine (including wine held in fermenting tanks) pending completion of amelioration or fermentation.

§ 240.31 *I. R. C.* "I. R. C." shall mean the Internal Revenue Code of 1954.

§ 240.32 *Juice.* "Juice" (or "must") shall mean the unfermented juice of fruit, berries and authorized agricultural products, exclusive of pulp, skins, or seeds.

§ 240.33 *Lees.* "Lees" shall mean the settlings of wine.

§ 240.34 *Natural wine.* "Natural wine" shall mean wine produced in accordance with section 5381, I. R. C., and §§ 240.360 and 240.400.

§ 240.35 *Own production.* "Own production," when used with reference to wine in a bonded wine cellar, shall mean wine produced by fermentation in the same bonded wine cellar.

§ 240.36 *Permanent storage.* "Permanent storage" shall mean storage of wine not held in intermediate storage or in reserve inventory.

§ 240.37 *Proof.* "Proof" shall mean the ethyl alcohol content of a liquid at 60 degrees Fahrenheit, stated as twice the percent of ethyl alcohol by volume.

§ 240.38 *Proof gallon.* "Proof gallon" shall mean the alcoholic equivalent of a United States gallon at 60 degrees Fahrenheit, containing 50 percent of ethyl alcohol by volume.

§ 240.39 *Proprietor.* "Proprietor" shall mean the operator of a bonded wine cellar, and shall include the term "winemaker" when the context so requires.

§ 240.40 *Pure sugar.* "Pure sugar" shall mean pure refined cane or beet sugar, or pure refined anhydrous or monohydrate dextrose, of not less than 95 percent purity calculated on a dry basis: *Provided,* That invert sugar syrup produced from such pure sugar by recognized methods of inversion may be used to prepare any sugar syrup, or solution of water and pure sugar.

§ 240.41 *Regional Commissioner.* "Regional Commissioner" shall mean the Regional Commissioner of Internal Revenue in each of the internal revenue regions.

§ 240.42 *Reserve inventory.* "Reserve inventory" shall mean a quantity of wine, stored and accounted for separately from other wine, held for cellar treatment after removal from fermenters or intermediate storage.

§ 240.43 *Same kind of fruit.* "Same kind of fruit" shall mean, in the case of grapes, all of the several species and varieties of grapes. In the case of fruits other than grapes, this term includes all of the several species and varieties of any given kind: *Provided,* That this shall not preclude a more precise identification of the composition of the product for the purpose of its designation.

§ 240.44 *Sparkling wine.* "Sparkling wine," including champagne, shall mean effervescent wine charged with carbon dioxide, resulting from fermentation of the wine within a closed container or bottle.

§ 240.45 *Special natural wine.* "Special natural wine" shall mean a product, such as vermouth, made pursuant to an approved formula in accordance with the provisions of section 5386, I. R. C., and Subpart S of this part.

§ 240.46 *Specially sweetened natural wine.* "Specially sweetened natural wine" shall mean a product having a sugar solids content in excess of 15 percent by weight and an alcohol content of less than 14 percent by volume, made in accordance with the provisions of section 5385, I. R. C., and Subpart R of this part.

§ 240.47 *Standard agricultural wine.* "Standard agricultural wine" shall mean agricultural wine made within the limitations of Subpart T of this part.

§ 240.48 *Standard wine.* "Standard wine" shall mean natural wine, specially sweetened natural wine, special natural wine and standard agricultural wine, produced in accordance with the provisions of sections 5381, 5385, 5386, and 5387 of the Internal Revenue Code and Subparts P, Q, R, S, and T of this part.

§ 240.49 *Still wine.* "Still wine" shall mean noneffervescent wine.

§ 240.50 *Taxpaid wine.* "Taxpaid wine" shall mean wine on which the tax imposed by section 5041, I. R. C., has been determined, regardless of whether the tax has actually been paid or the payment of tax has been deferred under section 5061, I. R. C.

§ 240.51 *Total solids.* "Total solids" shall mean the degrees Brix of the dealcoholized wine.

§ 240.52 *U. S. C.* "U. S. C." shall mean the United States Code.

§ 240.53 *United States wine.* "United States wine" shall mean wine produced on bonded wine cellar premises in the continental United States, Alaska, and Hawaii.

§ 240.54 *Wine.* "Wine," when used without qualification, includes all still wines, champagne and other sparkling wines, artificially carbonated wine, and special natural wine produced on bonded wine cellar premises.

§ 240.55 *Wine spirits.* "Wine spirits" shall mean spirits or brandy produced, from material authorized for use in fruit distillery operations, at not less than 140 degrees proof and not reduced with water from distillation proof, but may include commercial brandy aged in wood for a period of not less than two years and barreled at not less than 100 degrees proof.

§ 240.56 *Exception.* The definitions in this subpart are prescribed pursuant to the internal revenue laws governing the production and removal of wine, and shall not supersede or affect the requirements set forth in Part 4 of Title 27 of the Code of Federal Regulations, relative to the labeling of wine under the provisions of the Federal Alcohol Administration Act.

Subpart C—Establishment of Premises

§ 240.120 *Bonded wine cellars.* Every person desiring to produce, blend, cellar treat, store, bottle or package untaxpaid wine (other than cider, family wine or experimental wine produced free of tax under section 5042, I. R. C., and Subpart Y of this part) shall provide premises, make application, file bond and receive permission from the assistant regional commissioner to operate a bonded wine cellar.

(68A Stat. 663, 867; 26 U. S. C. 5351, 7302)

§ 240.121 *Wine warehouses.* Any responsible warehouse company or other responsible person desiring to establish warehouse facilities on bonded wine cellar premises for the storage of wine and allied products for credit purposes shall first make application to the assistant regional commissioner and secure approval as provided in § 240.201.

(68A Stat. 663; 26 U. S. C. 5353)

§ 240.122 *Designation of premises.* Premises established in accordance with the provisions of § 240.120 shall be known as bonded wine cellars: *Provided*, That any such premises used in the production of wine may be designated as a bonded winery as provided in § 240.193.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.123 *Bonded premises heretofore established.* Bonded premises heretofore approved may be continued in operation if the present construction and equipment afford adequate security and protection to the revenue, except that premises operated as bonded field warehouses before the effective date of this part shall on that date be qualified as bonded wine cellars or be discontinued. Premises operated as bonded wine storerooms on the effective date of this part shall on and after such date be designated as bonded wine cellars. Premises operated as bonded wineries shall similarly be designated as bonded wine cellars unless authority is granted under the provisions of § 240.193 to use the designation "bonded winery."

(68A Stat. 919; 26 U. S. C. 7851)

§ 240.124 *Bottling of taxpaid wine.* Every person desiring to bottle taxpaid wine at premises other than a rectifying plant or taxpaid distilled spirits bottling house must establish taxpaid wine bottling house premises in compliance with the provisions of regulations set forth in Part 231, Title 26, of the Code of Federal Regulations.

(68A Stat. 663; 26 U. S. C. 5352)

SUBPART D—USE OF BONDED WINE CELLARS

§ 240.130 *Activity on bonded wine cellar premises.* Except as authorized in this subpart, bonded wine cellar premises must be used exclusively for the production, blending, cellar treatment, storage, bottling, packaging, and removal of wine (including distilling material, vinegar stock, heavy bodied blending wine, Spanish type blending sherry, and similar wine products made from fruit, with or without added wine spirits, and without added sugar) and no materials, liquids, or liquors other than those authorized to be used in such production, etc., may be produced, received, or stored on the bonded premises. Wine not produced in the manner authorized for standard wine, for example, substandard beverage wine, made by the use of water in excess of limitations prescribed for standard wine, may not be produced or stored on premises used for the production or storage of standard wine. Any wine produced in accordance with the requirements for standard wine, which becomes substandard by reason of its condition, may not be retained on such premises unless the condition is corrected.

(68A Stat. 663, 664; 26 U. S. C. 5351, 5361)

§ 240.131 *Segregation of operations.* The proprietor of a bonded wine cellar may be required by the assistant regional commissioner to segregate operations within the premises, by partitions or otherwise, to prevent confusion between operations, to assure proper identification of products, and to protect the revenue.

(68A Stat. 664, 665; 26 U. S. C. 5357, 5365)

§ 240.132 *Commercial fruit products and by-products.* The proprietor of a bonded wine cellar may, under the provisions of Subpart TT of this part, prepare for market and store commercial fruit products and by-products not taxable as wine.

(68A Stat. 664; 26 U. S. C. 5361)

§ 240.133 *Storage of taxpaid wine.* Where wine is to be held on the bonded wine cellar premises after it has been packed for removal for consumption or sale and the tax has been determined thereon in accordance with Subpart AA of this part, the proprietor must store it in a taxpaid room (or rooms) constructed in accordance with § 240.145. Taxpaid wine received on the wine cellar premises for reconditioning, destruction, or return to bond will be deposited in the taxpaid room pending receipt of authority for its disposition. If taxpaid wine of either United States or foreign origin is received on the bonded premises for future removal it will be stored in the taxpaid room. Records of receipt and removal of wine from the taxpaid room will be kept as provided in § 240.921.

(68A Stat. 664, 665; 26 U. S. C. 5361, 5365)

SUBPART E—CONSTRUCTION

§ 240.140 *Buildings or rooms of bonded wine cellars.* Bonded wine cellars must be so located, constructed and equipped, subject to approval by the assistant regional commissioner, as to be suitable for the production or storage of wine, and to afford protection of the revenue. The buildings, outside tanks, or rooms in which wines are stored or treated must be securely constructed of substantial material. All doors, windows, or other openings, must be so arranged that they may be locked or fastened, and must be kept locked in the absence of the proprietor or his agents. Open fermenting tanks, except those used exclusively for the production of distilling material, must be under a roof or other suitable covering, but need not be enclosed in a building. Closed tanks for storage of wine may be located outside of buildings on the bonded premises, and unless the premises are enclosed by a fence, a substantial fence around the tanks must be provided. Except for necessary openings for ventilation and for the passage of water, electric, sewer, or similar lines, the wine cellar must be separated from adjoining buildings or rooms by solid unbroken partition: *Provided*, That where a bonded wine cellar, a fruit distillery, registered distillery, internal revenue bonded warehouse, industrial alcohol plant, taxpaid wine bottling house, taxpaid distilled spirits bottling house, rectifying plant, another bonded wine cellar, or a wine vinegar plant are located in contiguous buildings or rooms, pipelines may be installed for the transfer of wine or wine spirits, and doors may be placed in the partitions separating the bonded wine cellar from such premises, or separating a bonded wine cellar from a contiguous taxpaid room operated by the proprietor.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.141 *Means of ingress and egress.* The entrance door of a bonded wine cellar shall lead directly from a public street or open yard or from the yard of the bonded premises or from a public hall or other common passageway leading directly to a public street or open yard. The public halls or common passageways must, in fact, be used by the public or by other tenants or persons.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.142 *Wine spirits storage room.* Where wine spirits are to be received in packages at a bonded wine cellar for use in wine production, a wine spirits storage room must be provided except where the wine spirits are withdrawn under the provisions of §§ 240.836 and 240.837. The room must be sufficiently large to permit the storage of all wine spirits to be received or possessed at any one time. The room must be securely constructed of substantial material so as to prevent unlawful access to the wine spirits. A sign must be placed over the entrance door of the room bearing the words "Wine Spirits Storage Room." Where wine spirits are to be stored in wine spirits storage tanks, as provided in §§ 240.829 and 240.830, such tanks need not be located within the wine spirits storage room.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.143 *Government office.* Where wine spirits are to be used in the production of wine, other than use in small quantities for dosages or preparation of essences, the proprietor shall provide and maintain on the wine cellar premises in a convenient location for the exclusive use of internal revenue officers, a securely constructed, well-lighted, heated, and ventilated office of suitable dimensions: *Provided*, That where the proprietor operates a fruit distillery or an internal revenue bonded warehouse on adjacent premises, and a Government office conforming to the requirements specified in this section is provided on such premises, and such office is so located as to be suitable for the use of internal revenue officers assigned at the wine cellar, a separate Government office need not be provided on the wine cellar premises. The Government office shall be equipped with a desk, chair, file case, and such other furniture as may be necessary for the keeping of Government records; and with toilet and lavatory facilities, unless suitable facilities, conveniently located outside the Government office, are made available for the use of internal revenue officers. The door of the Government office shall be equipped with a hasp and staple for locking with a Government lock.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.144 *Government cabinet.* There shall be provided in the Government office a metal cabinet of adequate strength and size, suitably equipped for locking with a Government seal lock, for use in safeguarding Government seals, keys, and other Government property. Each such cabinet shall contain shelving or compartments of proper size for the filing of Government records.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.145 *Taxpaid room.* If a room is provided on the bonded wine cellar premises for the storage and handling of taxpaid wine, it must be separated from the remainder of the premises by partitions of wire netting or other material adequate to insure segregation of the operations. A sign must be placed over the entrance door bearing the words "Taxpaid Room." The door may open into the general bonded area, or to the outside of the premises.

(68A Stat. 664, 665; 26 U. S. C. 5357, 5365)

SUBPART F—EQUIPMENT

§ 240.160 *Location of tanks.* Tanks used for the storage or treatment of wine must be located within wine cellar buildings, except as provided in § 240.140. All fermenters, storage tanks, wine spirits storage tanks, bottling tanks, and other containers, must be so arranged and located as to permit ready examination and determination of their contents by inspecting officers. Tanks to be used for the addition of wine spirits to wine must be so constructed as to permit examination of every part thereof, and so arranged as to leave an open space of not less than four feet between the top of the tank and the ceiling or roof above.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.161 *Catwalks for tanks.* Where necessary in order to afford ready accessibility, all wine spirits addition tanks, wine spirits storage tanks, wine spirits measuring tanks, and weighing tanks, must be provided with suitable stairs and catwalks. Valves for control of wine spirits must be readily accessible.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.162 *Capacity of tanks.* The proprietor must accurately determine the capacity of all tanks and other containers on the bonded wine cellar premises. The capacity per inch of depth of all tanks of uniform dimensions, and the capacity for every inch of depth of each measuring tank, bottling tank, and wine spirits addition tank, of irregular dimensions, or lying on its side, must also be accurately determined by the proprietor. Rules for determining the capacities of tanks are set forth in Subpart XX of this part.

(68A Stat. 664, 680; 26 U. S. C. 5357, 5552)

§ 240.163 *Markings on fermenting and storage tanks.* Each tank used for the fermentation or storage of wine or for addition of wine spirits to wine will be marked with a permanent serial number and the capacity in wine gallons. Tanks of uniform dimensions from top to bottom shall be marked in addition with the capacity per inch of depth. Each tank will be marked to show its current use, either by permanent markings or by removable signs of durable materials. The use will be shown as "Fermenting Tank" (or "Fermenter"), "Intermediate Storage Tank," "Reserve Storage Tank," "Storage Tank," or "Wine Spirits Addition Tank," and may be abbreviated to the initial letters if desired. Notification to the assistant regional commissioner is not required when changing the use and designation of such tanks, but only tanks approved for the storage of wine may be used for reserve storage or permanent storage, and only tanks approved for use in the addition of wine spirits to wine, as provided in § 240.198 may be used for that purpose. A single series of numbers will be used for all fermenting, storage, and wine spirits addition tanks, except that separate series, preceded by an identifying letter, may be used for tanks in different buildings or rooms, if desired.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.164 *Markings on other tanks.* Tanks on the bonded wine cellar premises, other than those described in § 240.163, must be permanently marked to show their use, such as, "Bottling Tank", "Taxpayment Tank", "Vermouth Processing Tank", "Grape Concentrate Storage Tank", or "Amelioration Measuring Tank". Abbreviations may be used if the abbreviations distinguish between the various kinds of tanks. Each tank will be permanently marked with a serial number and its capacity in wine gallons, and if the tank is of uniform dimensions from top to bottom, the capacity per inch of depth will also be marked on the tank. A separate series of numbers will be used for each kind of tank.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.165 *Markings on puncheons and barrels.* A permanent serial number and the capacity in wine gallons must be marked on puncheons or similar containers if of 60 gallons capacity or more, as in the case of storage tanks. A permanent serial number need not be marked on barrels or puncheons of less than 60 gallons capacity used as storage containers but the capacity in wine gallons must be permanently marked on each such container.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.166 *Wine spirits storage tanks, weighing tanks, and measuring tanks.* Where wine spirits are to be received by pipeline not for immediate use in wine production, or by tank car or tank truck, wine spirits storage tanks shall be provided in the wine cellar. Wine spirits storage tanks shall be constructed of metal and be of uniform dimensions from top to bottom. If a weighing tank is to be used, it must be of suitable size with suitable and accurate scales. If a measuring tank is to be used for measuring wine spirits, it must be of suitable size and must be accurately calibrated.

(68A Stat. 664, 680; 26 U. S. C. 5357, 5552)

§ 240.167 *Securing of wine spirits storage tanks, weighing tanks, and measuring tanks.* The manheads, inlets, outlets, and other openings of wine spirits storage tanks, weighing tanks, and measuring tanks must be provided with facilities for locking, or other secure fastening and sealing. The tanks may be permanently connected with pipelines for the conveyance of air. Each such pipeline must be equipped with a control valve which may be locked, and must also be equipped with a check valve located near the point of entry to the tank in order to effectively prevent the extraction of spirits from the tank.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.168 *Measuring devices.* Wine spirits storage tanks, weighing tanks, measuring tanks, and wine spirits addition tanks shall be equipped with floats and counterweights, or similar devices whereby the actual contents will be accurately indicated.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.169 *Wine spirits pipelines.* Pipelines used for the conveyance of wine spirits from fruit distilleries and internal revenue bonded warehouses to wine spirits storage tanks, measuring tanks, weighing tanks, and wine spirits addition tanks shall be constructed in accordance with the requirements of regulations prescribed in Part 221 and Part 225, respectively, of Title 26, Code of Federal Regulations. If wine spirits are to be received by tank car or tank truck, a secure pipeline must be provided from the unloading point to the weighing tank, measuring tank, or wine spirits storage tank. Where wine spirits are stored in wine spirits storage tanks, a fixed pipeline, unbroken except for necessary short hose connections to pumps or weighing tanks, must be provided from the wine spirits storage tank to the wine spirits addition tank. All joints in such pipelines must be brazed, welded, or otherwise permanently joined. Valves, suitably equipped for locking, must be provided to control the flow of the wine spirits from or into each tank. All pipelines for wine spirits shall be painted black.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.170 *Taxpayment tank.* If wine is to be removed by pipeline upon determination of tax, one or more closed tanks must be provided in the bonded wine cellar for measurement of the wine. Such tank or tanks must be accurately calibrated, equipped with a measuring device whereby the contents will be accurately indicated, and approved before use.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.171 *Taxpaid wine pipeline.* The pipeline used to transfer taxpaid wine from the bonded wine cellar to a bottling house or rectifying plant must be a fixed unbroken line of permanent character, securely constructed and connected, and so arranged as to be exposed to view throughout its entire length. The pipeline must be permanently connected with the taxpayment tank, or tanks, required by § 240.170. The valves in such pipeline must be equipped for locking. The pipeline must be shown on the bonded wine cellar plat.

(68A Stat. 666, 680; 26 U. S. C. 5368, 5552)

§ 240.172 *Other wine pipelines.* Where it is desired to transfer wine by pipeline to adjacent bonded premises such as bonded wine cellars, fruit distilleries, or vinegar plants, the pipeline provided for the transfer must be securely constructed, unbroken, and accessible for examination throughout its length. The pipeline must be shown on the wine cellar plat.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.173 *Other equipment, instruments and measures.* The proprietor of each bonded wine cellar must provide at his own expense appropriate and accurate instruments and measures for the testing and measuring of wine, including in all cases equipment for determining the alcohol content and volume of wine removed. He must also provide an accurate measuring rod or steel tape for ascertaining the capacity and contents of tanks and other storage containers, and scales and measures for weighing and measuring the materials received and used in the production of wine. However, where material is used immediately upon receipt, the shipper's weight or public weighmaster certificates of weight showing gross weight, tare, and net weight, may be accepted in lieu of weighing materials at the wine cellar.

(68A Stat. 664; 26 U. S. C. 5357)

§ 240.174 *Test weights.* Where wine is taxpaid by weight, or wine spirits are gauged by weight, the proprietor shall provide at the bonded wine cellar a set of ten fifty-pound cast iron test weights, which shall be certified by the National Bureau of Standards, or State department of weights and measures, as conforming to Class C requirements of the National Bureau of Standards, except where the proprietor has provided such test weights at an adjacent distillery or internal revenue bonded warehouse. The assistant regional commissioner may waive the requirement for test weights at a bonded wine cellar if the proprietor has his scales tested annually, or at such more frequent interval as the assistant regional commissioner may require, by responsible scale companies or other qualified persons.

(68A Stat. 680; 26 U. S. C. 5552)

SUBPART G—QUALIFYING DOCUMENTS

§ 240.190 *Application, Form 698.* Every person desiring to establish a bonded wine cellar shall file application on Form 698, in triplicate, with the assistant regional commissioner of the region in which the bonded wine cellar is located, for approval of the premises. Except as provided in § 240.199, in the case of amended or supplemental applications, all the information required by this part and by the instructions on the form or issued in respect thereto shall be furnished. Application on Form 698 (including all attachments and inserts) shall contain or be verified by a written declaration that it is made under the penalties of perjury. Such applications must be numbered serially, commencing with "1," and continuing in regular numerical sequence for all applications thereafter filed, whether amended or supplemental, and must indicate the purpose for which filed. The application must disclose whether the premises will be used for the production and storage of standard wines and other wines which may be made and stored on standard wine premises, or whether wines not authorized on standard wine premises will be produced or stored. All data, written statements, and other documents submitted in support of the application, shall be deemed to be a part thereof.

(68A Stat. 664, 749; 26 U. S. C. 5356, 6065)

§ 240.191 *Permit required.* The Federal Alcohol Administration Act (49 Stat. 978; 27 U. S. C. 203) and regulations issued pursuant thereto in Part 1, Title 27, Code of Federal Regulations require that any person, intending to engage in the business of producing or blending wine or purchasing wine for resale at wholesale, obtain a permit therefor. A state, a political subdivision of a state, or an officer or employee of a state or political subdivision acting in his official capacity is exempted from this requirement. Application for the permits shall be filed with the assistant regional commissioner at the time of filing of the original application, Form 698.

§ 240.192 *Operating name.* The name under which the bonded wine cellar is to be operated will be shown on Form 698. If the bonded wine cellar is to be operated under a trade name, the name of the proprietor must be shown in conjunction therewith. Bonded wine cellars may not be operated simultaneously or alternately under two or more trade names for the production of wine; however, two or more trade names may be used simultaneously or alternately for bottling or packing wine as provided in § 240.562. Any trade names to be used for bottling or packing of wine must be shown on the permit and the Form 698.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.193 *Designation as bonded winery.* If the activities to be conducted on the bonded wine cellar premises are such that a wine producer's basic permit is required under the Federal Alcohol Administration Act and regulations, the applicant may submit with Form 698 a letter application, in triplicate, for designation of the premises as a bonded winery. If a wine producer's basic permit has been issued to the applicant and the premises designated a bonded winery, but thereafter the wine producer's basic permit is revoked for lack of use or is replaced with a wine blender's basic permit, the designation of the premises shall be changed to bonded wine cellar.

(68A Stat. 664; 26 U. S. C. 5351)

§ 240.194 *Location of premises.* The location of the bonded wine cellar must be stated as explicitly as possible on Form 698. If located in a city or other municipality, the name thereof, and the street and number (if any) must be given. If otherwise located, the name of the county and the nearest post office, with the distance and direction therefrom, and the name or number of the road or highway on which situated, shall be given.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.195 *Description of premises.* The lot or tract of land constituting the bonded wine cellar premises must be described on Form 698 by directions and distances with sufficient particularity to enable internal revenue officers to readily determine the bounds of the bonded premises. Separate portions of bonded wine cellar premises need not be contiguous if the assistant regional commissioner finds such noncontiguous portions are reasonably adjacent to one another and operations of the noncontiguous portions as a single bonded wine cellar will not afford an undue jeopardy to the revenue.

(68A Stat. 664; 26 U. S. C. 5356, 5357)

§ 240.196 *Description of buildings and rooms.* All buildings on the bonded wine cellar premises shall be accurately described on Form 698. If the premises consist of one or more entire buildings, each building shall be described as to size, material of which constructed, and the purpose for which it will be used. If the premises consist of a part of a building, in addition to giving the size of the building and material of which constructed, there shall be described separately the rooms or floors constituting the bonded premises and the walls or floors separating the premises from adjoining portions of the building, and the activities conducted in adjoining and adjacent portions. The means of egress and ingress shall also be described.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.197 *Description of equipment.* All equipment, including tanks, crushing and pressing equipment, instruments and measures for testing and measuring wine must be described on the Form 698. Each tank shall be listed by serial number and capacity, and where tanks are of such shape that it is practicable to determine their capacity from inside measurements, as described in Subpart XX of this part, there must be attached to each copy of Form 698 a table showing the serial number and capacity of each such tank, together with such measurements. Where tanks are of such shape that it is impracticable to determine the capacities from inside measurements, the method used in determining the capacities thereof must be furnished in lieu of such measurements. Barrels or other readily portable containers under sixty gallons capacity need not be listed but the approximate number of such containers used for the storage of wine shall be shown. Unless required by the assistant regional commissioner, hoses, filters, pumps, pasteurizers, coolers, and similar equipment need not be listed on the Form 698.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.198 *Wine spirits addition tanks.* If tanks are to be used for the addition of wine spirits to wine, a separate gauge sheet, in triplicate, will be filed with Form 698 for each such tank identifying the tank by serial number and capacity and showing the capacity for each inch of depth from a specified gauge point. If the tank is found to be accurately calibrated and suitably located for the purpose intended, one copy of the gauge sheet bearing the approval of the assistant regional commissioner will be returned to the proprietor with Form 698 as authority for use of the tank in the addition of wine spirits and for the information of internal revenue officers supervising the operation.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.199 *Amended and supplemental applications.* Amended and supplemental applications on Form 698 may be executed in skeleton form, except as to the items amended or supplemented. All other items which are correctly set forth in prior applications and remain unchanged may be incorporated in the amended or supplemental application by reference to the respective application previously filed in which the item is fully and correctly set forth. Such incorporation by reference shall be made by entering for such item in the space provided therefor the statement "No change since filing Form 698, Serial No. -----," (the number being inserted), and the date of such form.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.200 *New application may be required.* The assistant regional commissioner may at any time, in his discretion, require the filing of a new application on Form 698.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.201 *Bonded wine warehouse application.* A person desiring to establish a bonded wine warehouse under the provisions of § 240.121 shall file an application in letter form, in quadruplicate, disclosing his name and address, the name and address of the bonded wine cellar, the approximate area comprising the bonded warehouse, and the approximate storage capacity in gallons. The letter application shall be accompanied by a signed statement in triplicate, from the proprietor of the bonded wine cellar requesting the establishment of such warehouse, and by consent of his surety thereto, in accordance with the provisions of § 240.231.

(68A Stat. 663; 26 U. S. C. 5353)

§ 240.202 *Individual owners, copartnerships, or associations.* Where application, Form 698, is filed by an individual owner, copartnership, or association, the name and address of every person interested in the bonded wine cellar, whether active, passive, or silent, must be given on Form 698: *Provided*, That if there are more than twenty members of a copartnership or association, only the names and addresses of those holding the twenty largest interests in the business need be shown. If there are articles of partnership or association, copies thereof, in triplicate, must be submitted with the Form 698.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.203 *Corporate documents.* Where application, Form 698, is filed by a corporation, there must be filed with the original or initial application properly certified copies, in triplicate, of the following documents: (a) Articles of incorporation; (b) certificate of incorporation; (c) certificate authorizing the corporation to operate in the State where the bonded wine cellar is located, if other than that in which incorporated; (d) extracts of the minutes of meetings of the board of directors authorizing certain officers or other persons to sign for the corporation and specifying what documents may be signed; and (e) a list of the names and addresses (business and residence) of the officers, directors, and stockholders as required by § 240.204. Where these documents have been filed with the assistant regional commissioner in connection with qualification of other premises in the same region, and statement to that effect is made on Form 698, additional copies of the documents will not be required.

§ 240.204 *List of stockholders.* In the case of corporations and similar legal entities, there must be submitted with Form 698 at the commencement of business, and annually thereafter on May 1, a list, in triplicate, giving the names and addresses (business and residence) of all officers, directors, stockholders and other persons interested in the corporation, or other legal entity, and the amount and nature of the stock holding or other interests of each, whether such interest appears in the name of the interested party or in the name of another for him: *Provided*, That if there are more than twenty holders of any class of stock, only the names, addresses and holdings of the twenty persons having the largest ownership or other interest in each of the classes of stock need be listed.

§ 240.205 *Power of attorney, Form 1534.* If the application or other qualifying documents are signed by an attorney in fact for an individual, partnership, association, or corporation, or by one of the members for a copartnership, or association, or, in the case of a corporation, by an officer or other person not authorized to sign by the corporate documents described in § 240.203, such application or other qualifying documents must be supported by a duly authenticated copy of the power of attorney conferring authority upon the person signing the document to execute the same. Such powers of attorney will be executed on Form 1534, in triplicate, and submitted to the assistant regional commissioner.

§ 240.206 *Execution of power of attorney.* Where the principal giving the power of attorney is an individual, it must be executed by him in person, and not by an agent. In the case of a copartnership, or association, powers of attorney authorizing one or more of the members, or another person, to execute documents on behalf of the copartnership or association must be executed by all of the members constituting the copartnership or association. However, if one or more members less than the whole number constituting the copartnership or association have been delegated the authority to appoint agents or attorneys in fact, the power of attorney may be executed by such member or members, provided it is supported by a duly authenticated copy, in duplicate, of the document conferring authority upon the member or members to execute the same. Where, in the case of a corporation, powers of attorney are executed by an officer thereof, such documents must be supported by copies of the authorization, in triplicate, of such officer so to do, certified by the secretary or assistant secretary of the corporation, under the corporate seal, if any, to be true copies.

§ 240.207 *Duration of power of attorney.* Powers of attorney authorizing the execution of documents on behalf of a person operating, or intending to operate, a bonded wine cellar, if not limited as to duration, shall continue in effect until written notice, in duplicate, of the revocation of such authority is received by the assistant regional commissioner, unless terminated by operation of law.

§ 240.208 *Bond, Form 700.* Every person filing application to establish a bonded wine cellar shall file bond, Form 700, in triplicate, executed in accordance with Subpart H of this part, with the assistant regional commissioner. No person shall commence or continue in such business, or produce wine (except for family use, or experimental or research use, as provided in Subpart Y of this part), nor shall any wine be received in bond, or wine spirits be withdrawn for use in wine production, until such bond is filed with and approved by the assistant regional commissioner.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.209 *Plat.* Every person filing application to establish a bonded wine cellar shall file with the assistant regional commissioner an accurate plat of the proposed premises, in triplicate, conforming to the requirements of Subpart J of this part.

§ 240.210 *Additional information.* The assistant regional commissioner may at any time, in his discretion, require the proprietor of the bonded wine cellar to furnish such additional information concerning the establishment or operation of the bonded wine cellar as he may deem necessary.

§ 240.211 *Authority to approve.* The assistant regional commissioner is authorized to approve all applications, bonds, consents of surety and other qualifying documents required by this subpart, whether filed for original establishment, for changes subsequent to establishment, or for discontinuance of the business. Upon approval of the initial application for any premises, the assistant regional commissioner will assign a registry number to the premises.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.212 *Disposition of documents.* Upon approval of any qualifying documents required by this subpart, the assistant regional commissioner will return one copy to the proprietor. Upon disapproval of a bond or failure of the applicant to qualify for any reason one copy of the Form 698 and all copies of the documents submitted in support of the application will be returned to the applicant.

§ 240.213 *Retention of documents.* The proprietor shall keep in a secure place and filed in an orderly fashion at the bonded wine cellar premises or in an office adjacent thereto, the copies of all approved qualifying documents which have been returned to him by the assistant regional commissioner. Such copies shall be made available, without delay, for the examination of any internal revenue officer.

Subpart H—Bonds and Consents of Surety

§ 240.220 *General requirements.* Every person required to file a bond or consent of surety under this part shall prepare and execute such document on the prescribed form, in triplicate, in accordance with this subpart and the instructions printed on the form or issued in respect thereto, and shall submit it to the assistant regional commissioner.

§ 240.221 *Bond, Form 700.* Each proprietor of a bonded wine cellar shall give bond, Form 700, for the payment of taxes imposed by the United States, including rectification and occupational taxes and penalties and interest, for which the proprietor shall become liable to the United States, respecting wine and wine spirits and the operation of the bonded wine cellar, whether the transaction or operation upon which the liability of the proprietor is based occurred on the bonded wine cellar premises (including transfers between noncontiguous portions thereof), or in transit, and for the faithful compliance, without fraud or evasion, with all requirements of the laws of the United States and regulations made in conformity therewith respecting wine and wine spirits and the operation of the bonded wine cellar. The penal sum of the bond shall be not less than the tax on all wine and wine spirits possessed at the bonded wine cellar (including wine in intermediate storage), in transit to the bonded wine cellar, wine spirits authorized to be withdrawn under approved applications, or wine or wine spirits unaccounted for, at any one time, and the tax on all wine removed for export or for use as supplies on vessels or aircraft, but not exported or otherwise accounted for. The penal sum of the bond shall be not less than $1,000 or more than $50,000, except that where the amount of tax exceeds $250,000, the penal sum of the bond shall be $100,000: *Provided,* That the obligation on Form 700 shall not apply with respect to taxes in excess of $100 which have been determined for deferred payment upon removal of the wine from the bonded wine cellar, or transfer to a taxpaid wine room on the bonded wine cellar premises.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.222 *Tax deferral bond, Form 2053.* Each proprietor of a bonded wine cellar desiring to remove wine for a taxable purpose, where the tax unpaid at any one time amounts to more than $100, must file a bond, Form 2053, to insure payment of the tax on such wine. The penal sum of the bond shall be not less than the amount of tax determined on wine for which no return, Form 2050, with remittance, has been filed with the district director of internal revenue, pursuant to the requirements of § 240.591, but in no case shall the penal sum of the bond be less than $500. For purposes of determining the penal sum of the bond, the return will be considered filed when delivered with remittance to the office of the district director of internal revenue, or when deposited in the United States mail properly addressed to him.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.223 *Export bond, Form 186.* If a person other than the proprietor of a bonded wine cellar desires to withdraw wine from bonded wine cellars free of tax for export or for supplies for vessels or aircraft, he must file with the assistant regional commissioner of the region in which the bonded premises are located an export bond on Form 186, in triplicate, in a penal sum equal to the tax on the maximum quantity of wine to be withdrawn for exportation or for supplies on vessels or aircraft, plus the tax on any wine which having been so withdrawn may remain unaccounted for at any one time, but in no case shall the penal sum be less than $500.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.224 *Transportation bond, Form 1580.* The proprietor of a customs manufacturing bonded warehouse, Class 6, desiring to withdraw wine from bonded wine cellars, without payment of tax, for use at his warehouse for manufacture of articles for export, or for rectification and export or shipment in bond to Puerto Rico, shall file with the assistant regional commissioner of the region in which the bonded wine cellars are located a bond on Form 1580, in triplicate, in a penal sum equal to the tax on the maximum quantity of wine to be withdrawn, plus the tax on any wine which having been so withdrawn may remain unaccounted for at any one time, but in no case shall the penal sum be less than $500. The bond shall cover transportation of the wine from the bonded wine cellar to the customs manufacturing warehouse.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.225 *Bond, Form 1676.* The proprietor of a wine vinegar plant desiring to withdraw wine from bonded wine cellars without payment of tax, for use in the manufacture of vinegar shall file with the assistant regional commissioner of the region in which the vinegar plant is located, bond on Form 1676, in triplicate. The penal sum of the bond shall be not less than the tax on all wine to be withdrawn plus the tax on all wine on hand at the vinegar plant which has not been converted into vinegar and all wine in transit to the wine vinegar plant, but in no case shall the penal sum be less than $500. If the proprietor of the wine vinegar plant is also the proprietor of a bonded wine cellar located on adjacent premises, he may file consent of surety, Form 1533, extending the terms of his wine cellar bond as provided in § 240.651, instead of filing bond on Form 1676.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.226 *Corporate surety.* Surety bonds may be given only with surety companies holding certificates of authority from the Secretary of the Treasury as acceptable sureties on Federal bonds, subject to the limitations prescribed by the Secretary in Treasury Department Form 356-Revised, and subject to such amendments as may be issued from time to time. The surety may have no interest whatever in the business covered by the bond.

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.227 *Two or more corporate sureties.* A bond executed by two or more corporate sureties shall be the joint and several liability of the principal and the sureties: *Provided,* That each corporate surety may limit its liability in terms upon the face of the bond in a definite, specific amount, which amount shall not exceed the limitations prescribed for such corporate surety by the Secretary, as set forth in Treasury Department Form 356. When the sureties so limit their liability, the aggregate of such limited liabilities must equal the required penal sum of the bond.

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.228 *Powers of attorney.* Powers of attorney, and other evidence of appointment of agents and officers to execute bonds on behalf of corporate sureties are required to be filed with, and passed upon by, the Surety Bonds Branch, Bureau of Accounts, Treasury Department. Such powers, and other evidence of appointment need not be filed with or submitted to assistant regional commissioners.

§ 240.229 *Collateral security.* Bonds required by this part may be secured by collateral in the form of bonds or notes of the United States, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States, in place of corporate surety. Bonds and notes of the United States, which are nontransferable or the hypothecation of which will not be recognized by the Treasury Department, may not be pledged and deposited as security in lieu of corporate sureties.

(61 Stat. 646; 6 U. S. C. 15)

§ 240.230 *Deposit of collateral.* Assistant regional commissioners, on receiving bonds or notes, or other obligations, pledged and deposited by principals as collateral security in lieu of surety, shall deposit such securities as required by Department Circular No. 154, Revised (31 CFR, part 225).

(61 Stat. 646; 6 U. S. C. 15)

§ 240.231 *Consents of surety.* Consents of surety to a change in the terms of a bond must be executed on Form 1533, in triplicate, by the principal and all sureties with the same formality and proof of authority to execute as was required for the execution of bonds. Form 1533 will be used by obligors on collateral bonds as well as those on surety bonds. The Form 1533 must properly identify the bonds affected thereby and state specifically and precisely what is covered by the extended terms thereof. The consent may be executed for the surety company by an agent or attorney in fact duly authorized so to do by power of attorney filed by the surety with the appropriate assistant regional commissioner, or the consent may be executed by the home office officials of such surety.

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.232 *Strengthening bonds.* In all cases where the penal sum of the bond on file and in effect is not sufficient, computed as prescribed by law and this part, the principal may give an additional or strengthening bond in a sufficient penal sum, provided the surety thereon is the same as on the bond already on file and in effect; otherwise a new bond covering the entire liability will be required. Such strengthening bonds being filed to increase the bond liability of the principal and the surety are in no sense substitute bonds, and the assistant regional commissioner will refuse to approve any strengthening bond where any notation is made thereon intended, or which may be construed, as a release of any former bond, or as limiting the amount of either bond to less than its full penal sum. Strengthening bonds must show the current date of execution and the effective date in the blank spaces provided therefor. Such bonds must have marked thereon, by the obligors at the time of execution, "Strengthening Bond."

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.233 *New bond.* When, in the opinion of the assistant regional commissioner, the interests of the Government demand it, or in any case where the security of the bond becomes impaired in whole or in part for any reason, the principal will be required to give a new bond. A new bond shall be required immediately in the case of the insolvency of a corporate surety. Executors, administrators, assignees, receivers, trustees, or other persons acting in a fiduciary capacity, continuing or liquidating the business of the principal, must execute and file a new bond or obtain the consent of the surety or sureties on the existing bond or bonds. Where a bond is found to be not acceptable, the principal shall be required to file immediately a new and satisfactory bond, or discontinue business forthwith.

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.234 *Superseding bond.* Where a new bond is submitted by the principal to supersede a bond or bonds then in effect, and such superseding bond has been approved, the superseded bond shall be released as to transactions occurring wholly subsequent to the effective date of the superseding bond and notice of termination of the superseded bond will be issued as provided in Subpart I of this part. Superseding bonds must show the current date of execution and the date they are to be effective and each such bond shall have marked thereon, by the obligors at the time of execution, "Superseding Bond."

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

APPROVAL OR DISAPPROVAL OF BONDS

§ 240.235 *Authority.* Assistant regional commissioners are authorized to approve or disapprove all bonds and consents of surety required by this part.

(68A Stat. 680; 26 U. S. C. 5551)

§ 240.236 *Disapproval.* Bonds submitted on Form 700 or Form 2053, or consents of surety relative to such bonds, may be disapproved if the individual, firm, partnership, corporation, or association giving the same, or owning, controlling, or actively participating in the management of the bonded wine cellar of the individual, firm, partnership, corporation, or association, giving the same, shall have been previously convicted in a court of competent jurisdiction of (a) any fraudulent noncompliance with any provision of any law of the United States, if such provision relates to internal revenue or customs taxation of distilled spirits, wine, or beer, or if such offense shall have been compromised with the individual, firm, partnership, corporation, or association, upon payment of penalties or otherwise, or, (b) any felony under the law of any State, Territory, or the District of Columbia, or the United States, prohibiting the manufacture, sale, importation or transportation of distilled spirits, wine, beer, or other intoxicating liquor.

(68A Stat. 680; 26 U. S. C. 5551)

§ 240.237 *Appeal to Director.* Where a bond or consent of surety is disapproved by the assistant regional commissioner, the person giving the bond may appeal such disapproval to the Director, Alcohol and Tobacco Tax Division.

(68A Stat. 680; 26 U. S. C. 5551)

§ 240.238 *Disapproval by Director final.* The disapproval by the Director, Alcohol and Tobacco Tax Division upon appeal, of any bond or consent of surety with respect to the commencement or continuance of the operation of a bonded wine cellar shall be final.

(68A Stat. 680; 26 U. S. C. 5551)

SUBPART I—TERMINATION OF BONDS

§ 240.250 *Termination of bonds, Form 700 or 2053.* The wine cellar bond, Form 700, or tax deferral bond, Form 2053, will be terminated as to future liability (a) pursuant to application by the surety as provided in § 240.252; (b) pursuant to approval of a superseding bond, as provided in § 240.256; (c) in the case of Form 2053, upon discontinuance of removals under a tax deferral bond, as provided in § 240.256; or (d) upon discontinuance of business by the principal and removal of all wine and wine spirits from the wine cellar, as provided in § 240.256.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.251 *Termination of bonds, Form 186, Form 1580, or Form 1676.* Bonds on Form 186, Form 1580, or Form 1676, covering the removal of wine for export, for transfer to customs manufacturing bonded warehouses, or for transfer to a wine vinegar plant, respectively, will be terminated as to future liability (a) pursuant to application by the surety as provided in § 240.252; (b) pursuant to approval of a superseding bond as provided in § 240.257; or (c) upon discontinuance of the business covered by the bond as provided in § 240.257.

(68A Stat. 665; 26 U. S. C. 5362)

APPLICATION OF SURETY FOR RELIEF FROM BOND

§ 240.252 *Application by surety.* A surety on any bond required by this part may at any time, in writing, notify the principal and the assistant regional commissioner in whose office the bond is on file, that he desires after a date named, which shall be at least 60 days after the date of notification, to be relieved of liability under the bond. The notice shall be executed in triplicate by the surety, who shall deliver one copy to the principal, and two copies to the assistant regional commissioner. This notice may not be given by an agent of the surety unless it is accompanied by a power of attorney duly executed by the surety authorizing him to give such notice, or by a verified statement that such power of attorney is on file with the Department. The surety must also file with the assistant regional commissioner an acknowledgment, or other proof of service, of such notice on the principal.

(68A Stat. 663, 665; 26 U. S. C. 5354, 5362)

§ 240.253 *Extent of relief, Form 700.* If notice has been filed as provided in § 240.252 and is not thereafter in writing withdrawn, the rights of the principal as supported by the bond, Form 700, shall be terminated on the date named in the notice and the surety shall be relieved from liability for wine produced at, and for wine and wine spirits consigned to, the bonded wine cellar wholly subsequent to the date named in the notice. If the proprietor files a valid superseding bond on Form 700 prior to the date named in the surety's notice, the surety shall be relieved from liability for wine and wine spirits on hand, or in transit to the wine cellar, on and after the effective date of the superseding bond. If the principal fails to file a superseding bond, the surety, notwithstanding his release from liability as specified above, shall continue to remain liable under the bond for all wine and wine spirits on hand or in transit to the bonded wine cellar on the date stated in his notice, until such wine and wine spirits have been lawfully disposed of, or a new bond has been filed by the principal covering the liability.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.254 *Extent of relief, Form 2053.* If notice, filed as provided in § 240.252, is in respect to bond on Form 2053 and is not in writing withdrawn, the surety shall be relieved of liability for the tax on any wine removed from the bonded wine cellar after the date named in the notice. The surety shall continue to be liable for the tax on wine removed for consumption or sale on or before the date named in the notice, until all such tax is fully paid.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.255 *Extent of relief, Form 186, Form 1580 and Form 1676.* If notice has been filed as provided in § 240.252 in respect to a bond on Form 186, Form 1580 or Form 1676 and is not in writing withdrawn, the surety shall be relieved of liability for tax on wine withdrawn for export, for transfer to a customs manufacturing bonded warehouse, or for manufacture of vinegar, respectively, after the date stated in the notice. Where such withdrawals are made wholly on or before the date named in the notice, the surety shall remain liable for the tax on wine so withdrawn, until the wine is fully accounted for.

(68A Stat. 665; 26 U. S. C. 5362)

NOTICE OF RELEASE OR TERMINATION

§ 240.256 *Release or termination of Form 700 or Form 2053.* When the proprietor of a bonded wine cellar discontinues business and the notice of discontinuance has been approved, the assistant regional commissioner will issue notification of release of bond, Form 1491, and will forward copies to the principal and to the surety; or, in the case of bond, Form 2053, notification of release of bond, Form 1491, will be issued upon receipt from the proprietor of written advice that he has discontinued removals of wine requiring a tax deferral bond. When a valid superseding bond has been approved, the assistant regional commissioner will issue notice of bond termination, Form 1490, and will forward copies to the principal and to the surety.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.257 *Release or termination, Form 186, Form 1580 or Form 1676.* When the principal on a bond, Form 186, Form 1580 or Form 1676, notifies the assistant regional commissioner that he has discontinued the withdrawal of wine free of tax for exportation, for transfer to a customs manufacturing bonded warehouse, or for use in the manufacture of vinegar, respectively, the assistant regional commissioner will issue notification of release of bond, Form 1491. When a superseding bond on Form 186, Form 1580, or Form 1676 is approved by the assistant regional commissioner, he will issue notice of bond termination, Form 1490, for the superseded bond.

(68A Stat. 665; 26 U. S. C. 5362)

Release of Collateral

§ 240.258 *Release of collateral, Form 700 or Form 2053.* The release of collateral pledged and deposited with the United States to support bonds required by this part will be in accordance with the provisions of Department Circular No. 154, Revised, (31 CFR Part 225) subject to the conditions governing the issuance of notices on Forms 1490 and 1491 of the termination of such bonds. Upon issuance of notice of the termination of a bond, Form 700 or Form 2053, supported by collateral security, the assistant regional commissioner will fix the date or dates on which a part or all of the security may be released. In fixing such date, which ordinarily will be not less than six months from the date of determination that there is no outstanding liability against the bond, the assistant regional commissioner will satisfy himself that the interests of the Government will not be jeopardized. Collateral pledged and deposited to support a bond, Form 700 or Form 2053, will not be released by the assistant regional commissioner until liability under the bond has been terminated. At any time prior to the release of such collateral security, the assistant regional commissioner may, in his discretion, and for proper cause, further extend the date of release of the security for such additional length of time as in his judgment may be appropriate.

(61 Stat. 646; 6 U. S. C. 15)

§ 240.259 *Release of collateral, Form 186, Form 1580 or Form 1676.* Collateral pledged and deposited to support a bond on Form 186, Form 1580 or Form 1676 will ordinarily be released by the assistant regional commissioner upon issuance of Notice of Release of the Bond, Form 1491, provided all liabilities under the bond have been satisfied.

(61 Stat. 646; 6 U. S. C. 15)

SUBPART J—PLAT

§ 240.270 *Plat required.* Every person intending to establish a bonded wine cellar must, as required by § 240.209, file an accurate plat of the premises, in triplicate, with the assistant regional commissioner.

§ 240.271 *Preparation.* The plat of a bonded wine cellar must be furnished on sheets of white paper of a good quality, or tracing cloth, or sensitized linen, 15 x 20 inches outside measurement, with a clear margin of at least one inch on each side of the drawing, lettering, or writing. Plats may be original drawings or reproductions made by the "ditto process," or by blue, brown, or black line lithoprint, if such reproductions are clear and distinct. The cardinal points of the compass shall be indicated on each sheet. Where more than one sheet is required for an accurate plat, each sheet shall be identified by a number.

§ 240.272 *Depiction of premises.* The plat must show the outer boundaries of the premises in contrasting color. The location and size of each building, and the purpose for which each will be used will be shown. If the bonded premises consist of only a room or floor of a building, the precise location of the room or floor, together with the means of access to a public street or yard, or to a public hall or elevator shaft leading to a public street or yard, must be shown. The first floor exterior doors and windows of each building on the premises will be shown on the plat. The surrounding driveways, streets and sidings also shall be indicated.

§ 240.273 *Contiguous or adjacent premises.* Where a distillery, internal revenue bonded warehouse, industrial alcohol plant or warehouse, taxpaid distilled spirits bottling house, taxpaid wine bottling house, rectifying plant, wine vinegar plant, or another bonded wine cellar, is maintained on contiguous or adjacent premises, the relative position of such premises and the bonded wine cellar, and all pipeline connections for transfer of wine and wine spirits between the premises, must be shown on the plat. The pipeline used for conveying wine spirits from the distillery or warehouse to the bonded wine cellar, or for transfer of wine spirits within the bonded wine cellar premises shall be shown in black on the plat. Pipelines for the conveyance of wine between noncontiguous portions of the bonded wine cellar will be shown.

§ 240.274 *Certificate of accuracy.* The plat shall bear a certificate of accuracy in the lower right-hand corner of each sheet, signed by the proprietor, the draftsman, and the assistant regional commissioner, substantially in the following form:

____
(Name of proprietor)

____
(Registry number)

____
(Address)

Accuracy certified by:

____
(Name and capacity—for the proprietor)

____
(Draftsman) (Date)

Approved: ________________________
(Date)

____
Assistant Regional Commissioner

SUBPART K—REQUIREMENTS GOVERNING CHANGES IN NAME, PROPRIETORSHIP AND CONTROL

§ 240.280 *General requirements.* Notice must be given, as provided in this subpart, to the assistant regional commissioner in case of any change in the name, ownership, management, control, or any persons interested in the business of the bonded wine cellar.

(68A Stat. 664; 26 U. S. C. 5356)

CHANGE IN INDIVIDUAL, FIRM, OR CORPORATE NAME

§ 240.281 *Amended application, Form 698, and amended basic permit.* Where there is a change in the individual, firm, or corporate name of the proprietor, the proprietor must submit to the assistant regional commissioner an amended notice on Form 698, in triplicate, covering the new name, which application must be approved before operations may be commenced under the new name. He must also procure from the assistant regional commissioner an amended basic permit under the Federal Alcohol Administration Act authorizing operation of the premises under the new name.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.282 *Amended articles of incorporation, etc.* Where there is a change in the corporate name of the proprietor, he must submit to the assistant regional commissioner certified copies, in triplicate, of the amended articles of incorporation, and the amended certificate of incorporation issued under the laws of the state in which incorporated covering the change in the corporate name. If the operations are conducted in a state other than the state in which incorporated, there must also be submitted to the assistant regional commissioner certified copies, in triplicate, of the amended certificate issued under the laws of the state in which the operations are conducted authorizing the corporation to operate under its new name in such state. If documents other than those specified are required under the laws of the state to effect a change in the name of the corporation, certified copies, in triplicate, of such documents must be submitted.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.283 *Amended articles of copartnership or association.* Where there is a change in the name of a copartnership or association, the proprietor must submit to the assistant regional commissioner certified copies, in triplicate, of the amended articles of copartnership or association, if any.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.284 *Records.* Where there is a change in the individual, firm, or corporate name, the proprietor must keep the prescribed records and submit the required reports under the new name.

(68A Stat. 666; 26 U. S. C. 5367)

CHANGE IN PROPRIETORSHIP

§ 240.285 *Nonfiduciary successor.* If a change in proprietorship of the bonded wine cellar is brought about otherwise than by appointment of an administrator, executor, receiver, trustee, or other fiduciary, the successor must qualify in the same manner as the proprietor of a new bonded wine cellar, except that he may adopt the plat of the predecessor, as provided in § 240.290.

(68A Stat. 663, 664; 26 U. S. C. 5354, 5356)

§ 240.286 *Fiduciary.* If the bonded wine cellar is to be operated by an administrator, executor, receiver, trustee, assignee, or other fiduciary, the fiduciary must comply with provisions of Subpart G of this part to the extent that such provisions are applicable, except that in lieu of filing a new bond and a new plat, the fiduciary may furnish a consent of surety extending the terms of his predecessor's bond, and may adopt the plat of such predecessor. The fiduciary must furnish certified copies, in triplicate, of the order of the court, or other pertinent documents, showing his qualification as such fiduciary. The effective date of the qualifying documents filed by a fiduciary must be the same as the date of the court order, or the date specified therein for him to assume control. If the fiduciary was not appointed by the court, the date of his assuming control must coincide with the effective date of the qualifying documents filed by him.

(68A Stat. 663, 664; 26 U. S. C. 5354, 5356)

§ 240.287 *Exception.* Where the fiduciary has been appointed to liquidate the business of a bonded wine cellar, (i. e., to dispose of the wine on hand, including any cellar treatment necessary to put the wine in merchantable condition) and does not intend to produce wine, or use wine spirits, or receive wine in bond from other bonded premises, he may, upon filing a statement to such effect, or a copy of the court order directing him to so liquidate the business, with the assistant regional commissioner, be exempt from qualifying as the proprietor of the bonded wine cellar, as required in § 240.286, provided a consent of surety wherein the surety and the fiduciary agree to remain liable on the bond, is filed.

§ 240.288 *Failure of receiver or trustee of bonded wine cellar to qualify.* In the event a receiver in bankruptcy or a trustee fails to qualify as required herein within a reasonable time, the assistant regional commissioner will request the United States attorney to petition the court under whose jurisdiction the receiver or trustee is functioning to direct the receiver or trustee to comply with the above requirements.

§ 240.289 *Consent of surety.* The consent of surety extending the terms of the predecessor's bond to cover operation of the bonded wine cellar by a fiduciary must conform to the requirements of § 240.231 and be executed by both the fiduciary and the surety.

(68A Stat. 663; 26 U. S. C. 5354)

§ 240.290 *Plat.* The adoption by a successor of the plat of his predecessor shall be in the form of a certificate, in triplicate, in which shall be set forth the name of the predecessor, registry number and address of the bonded wine cellar, the date of preparation, and the date of approval of the plat, and a certification as to the accuracy of the plat adopted.

§ 240.291 *Approval required.* Operation of a bonded wine cellar may not be commenced by a successor until the qualifying documents required by this subpart have been approved by the assistant regional commissioner.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.292 *Successor to bonded wine cellar with bonded wine warehouse.* Where a bonded wine warehouse has been established at a bonded wine cellar under the provisions of § 240.201, and it is desired to continue the operation of the bonded wine warehouse subsequent to a change in proprietorship of the bonded wine cellar, it will be necessary for the proprietor of the bonded wine warehouse to file a new letter of notice, accompanied by a statement from the new proprietor (applicant) of the bonded wine cellar requesting the continuation of such warehouse, and by consent of his surety thereto.

(68A Stat. 663; 26 U. S. C. 5353)

OTHER CHANGES IN PROPRIETORSHIP OR CONTROL

§ 240.293 *Change in partnership.* The withdrawal of one or more members of a partnership, or the taking in of a new partner, whether active or silent, shall constitute a change in proprietorship. Likewise, except as provided in § 240.294, the death, bankruptcy, or adjudicated insolvency of one or more of the copartners results in a dissolution of the partnership and, consequently, a change in proprietorship. Where such a change in proprietorship of the premises occurs, the successor must qualify in the same manner as a new applicant, except that he may adopt the plat on file as provided in § 240.290.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.294 *Exception.* Where under the laws of the particular state the partnership is not terminated on the death or insolvency of a partner, but continues until the liquidation of the partnership affairs is completed, and the surviving partner has the exclusive right to the control and possession of the partnership assets for the purpose of liquidation and settlement, such surviving partner may continue to operate the wine cellar for such purpose under the prior qualification of the partnership, and the bond already on file will be considered sufficient: *Provided,* That a consent of surety wherein the surety and the surviving partner agree to remain liable on the bond is filed. If such surviving partner acquires the business upon the settlement of the partnership he must qualify in his own name from the date of acquisition and give a new bond on Form 700. The same rule shall apply where there is more than one surviving partner.

§ 240.295 *Reincorporation.* Where a corporation is reorganized and a new charter or certificate of incorporation is secured, the new corporation must qualify in the same manner as a new applicant, except that the new corporation may adopt the plat of the predecessor.

(68A Stat. 663; 26 U. S. C. 5351)

§ 240.296 *Changes in stockholders of a corporation.* Changes in stockholders of a corporation do not constitute a change in proprietorship, but in case changes in stockholdings or other interests result in a change in control of the corporation, written notice must be given the assistant regional commissioner within ten days. The notice shall be filed in triplicate, shall describe the changes in stockholding or other interest, and shall be accompanied by a new list of stockholders, prepared as required by § 240.204.

SUBPART L—REQUIREMENTS GOVERNING CHANGES IN LOCATION, PREMISES, AND EQUIPMENT

§ 240.310 *Change in location.* Where there is a change in the location of a bonded wine cellar, the proprietor must comply with all applicable provisions of Subpart G of this part, except that in lieu of the filing of new bonds, Form 700 and Form 2053, the proprietor may furnish consent of surety on Form 1533 in accordance with § 240.231, extending the terms of the bonds for the former location to cover operation of the bonded wine cellar at the new location.

(68A Stat. 663, 664; 26 U. S. C. 5354, 5356)

§ 240.311 *Change in premises.* Where the bonded wine cellar is to be extended or curtailed, the proprietor must file with the assistant regional commissioner an amended application, Form 698, and amended plat of the premises. The additional facilities covered by the extension may not be used for the proposed purposes, and the portion to be excluded by curtailment may not be used for other than the previously approved purposes prior to approval of the application, Form 698, and plat.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.312 *Changes in construction, use, and equipment.* Where a change is to be made in the construction, or use, or equipment, of a bonded wine cellar that will affect the accuracy of the Form 698, or plat, such as the removal or addition of tanks, changes in the measurement and capacity of tanks, or in the size of rooms, the proprietor shall make report thereof, in triplicate, to the assistant regional commissioner. The reports shall be serially numbered by the proprietor. Upon approval, the assistant regional commissioner will return one copy of the report to the proprietor for attachment to the copy of Form 698 retained at the bonded premises, forward one copy to the Director, Alcohol and Tobacco Tax Division, and retain one copy in his office for filing with Form 698. The assistant regional commissioner may at any time require the filing of a new application or plat.

(68A Stat. 664; 26 U. S. C. 5356)

§ 240.313 *Approval required.* No change shall be made in any wine pipeline not wholly on the bonded wine cellar premises, the wine spirits storage room, wine spirits storage tanks, or any pipelines for the conveyance of wine spirits, prior to the approval of such changes by the assistant regional commissioner or other designated officer. Application to make changes requiring such approval will be filed in letter form, in triplicate, with the internal revenue officer assigned to the premises, unless there is no internal revenue officer so assigned or otherwise available, in which case the application will be filed with the assistant regional commissioner. Each letter application will be serially numbered, will identify the premises by name and registry number, and will describe in detail the changes to be made. A sketch should accompany the application where it will be helpful to an understanding of the changes desired. Sealed connections must not be broken by the proprietor for any reason, except in cases of emergency, and then only after notifying the internal revenue officer, if any, or the assistant regional commissioner.

SUBPART M—DISCONTINUANCE OF BUSINESS

§ 240.320 *Notice.* When the proprietor desires to discontinue operation of the bonded wine cellar, all wine and wine spirits must be lawfully removed from the premises or destroyed, and any outstanding approved Forms 257 authorizing the transfer of wine spirits to the wine cellar must be procured from the distillery or warehouse to which they were sent and returned to the assistant regional commissioner for cancellation. When such disposition has been made of all wine, wine spirits, and outstanding Forms 257, the proprietor shall file notice of discontinuance by letter, in triplicate, with the assistant regional commissioner, stating therein that the premises are to be discontinued, and giving the date the discontinuance is to be effective. The proprietor shall certify in the letter that (a) all wine and wine spirits have been lawfully removed from the premises or destroyed, (b) that there are no wines or wine spirits in transit to the bonded premises, and (c) that there are no outstanding Forms 257 in his possession, or at any distillery or bonded warehouse, authorizing the transfer of wine spirits to his bonded premises. If the premises are being transferred to a successor, that fact and the name of the successor should be stated in the letter of notification.

§ 240.321 *Final report, Form 702.* After all wine produced or received, and all wine spirits received for use in wine production, have been lawfully disposed of, the proprietor will submit a report on Form 702 showing no wine or wine spirits on hand, which report shall be marked "Final."

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.322 *Discontinuance of bonded wine warehouse.* Where a bonded wine warehouse is to be discontinued, a letter of notification, in triplicate, will be sent to the assistant regional commissioner by the proprietor of the warehouse advising of such discontinuance and stating therein the name, registry number and address of the bonded wine cellar, and date of discontinuance.

(68A Stat. 663; 26 U. S. C. 5353)

SUBPART N—SPECIAL (OCCUPATIONAL) TAXES

§ 240.340 *Wholesale and retail liquor dealer.* Except as provided in § 240.341, proprietors of bonded wine cellars who sell wines must file returns on Form 11, special tax return, and pay special (occupational) tax as a wholesale liquor dealer or retail liquor dealer, or both, in accordance with Part 194, Title 26, of the Code of Federal Regulations.

(68A Stat. 618, 620, 621, 624, 846; 26 U. S. C. 5111, 5112, 5121, 5122, 5142, 7011)

§ 240.341 *Exemption of proprietor.* Qualified proprietors of bonded wine cellars who sell wine of their own production at the bonded premises where it is made, or at the general business office of such proprietor, are exempt from special taxes as wholesale or retail dealers; but no proprietor shall be exempt from such special taxes for sale of wine at more than one place. The term "own production" for purposes of this subpart is held to include wine produced by the proprietor, as follows:

(a) Still wine produced by fermentation;

(b) Champagne and sparkling wine, and artificially carbonated wine produced by him;

(c) Special natural wines produced by him; and

(d) Still wine produced by such blending or other cellar treatment of purchased wine as changes the characteristics of the wine.

Sale of finished wine purchased from others does not come within the exemption. Where the claim is made that purchased wine has been so blended or treated as to become wine of the proprietor's own production as defined in this section, cellar records of the blending or cellar treatment must be maintained.

(68A Stat. 619; 26 U. S. C. 5113)

§ 240.342 *Place of exemption.* Unless the exemption is claimed elsewhere by the proprietor, it will be presumed that the exemption is claimed at the bonded wine cellar where the wine is made. Where the exemption is claimed for a place other than the bonded wine cellar, special tax must be paid at the bonded wine cellar, if sales are made thereat.

(68A Stat. 619; 26 U. S. C. 5113)

§ 240.343 *Annual special tax.* The special tax year commences on July 1 and ends on June 30 of the next year. All persons liable for special tax must file Form 11 with the district director of internal revenue, and pay the special tax to him not later than July 31 of each year. If the Form 11, with remittance, is not actually received by the district director on or before the last day of the month, the date of the postmark stamped on the cover in which such return is mailed, if made by a United States post office, shall be deemed to be the date of filing.

(68A Stat. 624, 846, 895; 26 U. S. C. 5142, 5143, 7011, 7502)

§ 240.344 *Business commenced after July 31.* Where business is commenced after July 31, the tax will be prorated from the first day of the month in which business was commenced to June 30 following. In such case, if the Form 11, with remittance, is not actually received by the district director of internal revenue on or before the last day of the month in which the business was commenced, the date of the postmark stamped on the cover in which such return is mailed, if made by a United States post office, shall be deemed to be the date of filing.

(68A Stat. 624, 846; 26 U. S. C. 5143, 7011)

SUBPART O—PRODUCTION OF WINE

§ 240.350 *Kinds of wine authorized.* The following kinds of wine may be produced on bonded wine cellar premises:

(a) Natural wine, including sparkling wine and artificially carbonated wine, produced in accordance with Subparts P, Q, and W of this part;

(b) Specially sweetened natural wine, produced in accordance with Subpart R of this part;

(c) Special natural wine, produced in accordance with Subpart S of this part;

(d) Agricultural wine, produced in accordance with Subpart T of this part; and

(e) Wine other than standard wine, produced in accordance with Subpart U of this part.

(68A Stat. 664, 668, 669, 670, 671; 26 U. S. C. 5361, 5382, 5383, 5384, 5385, 5386, 5387)

§ 240.351 *Production on standard wine premises.* Wine in categories (a), (b), (c), and (d) of § 240.350 may be produced in standard bonded wine cellars. In addition thereto, heavy bodied blending wine, Spanish type blending sherry or similar wine products, high fermentation wine, distilling material, and vinegar stock, which are in category (e) of § 240.350, may be produced on premises where standard wine is made.

(68A Stat. 664, 665; 26 U. S. C. 5361, 5364)

§ 240.352 *Other wine production.* Wine in category (e) of § 240.350, other than the kinds named in § 240.351, may be produced only on bonded wine cellar premises not used for the production of standard wine. In the production of such wine, sugar and water may be used without observing the limitations prescribed for standard wine: *Provided,* That the wine must have a basic character derived from the primary winemaking material. The aggregate weight of the sugar used before and during fermentation must be less than the weight of the primary wine producing material. Molasses, malts, cereals, and grains may not be used in the production of wine.

(68A Stat. 664, 665; 26 U. S. C. 5361, 5364)

§ 240.353 *Concentrated fruit juice.* Concentrated fruit juice restored to its original density, or as otherwise provided in this section, will be regarded as fruit juice for the purpose of standard wine production. In the case of concentrated juice derived from fruit juice of an original density of more than 22 degrees Brix, the concentrated juice may be diluted with water to its original density or to not less than 22 degrees Brix. In the case of concentrated fruit juice derived from a fruit juice of less than 22 degrees Brix, the concentrated juice may be diluted with water to its original density or to not more than 22 degrees Brix. Where the original density is to be restored with water, the proprietor must procure a certificate from the producer of the concentrate showing the kind of fruit juice from which it was made and giving the total solids content of the original juice and of the concentrate in degrees Brix. Concentrated fruit juice may be used for sweetening wine or juice made from the same kind of fruit as provided in this part. No concentrated fruit juice, or juice which has been concentrated and reconstituted, shall be used in standard wine production if at any time it was concentrated to more than 80 degrees Brix.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.354 *Sugar.* If sugar is to be used in the production of standard wine, only pure refined cane or beet sugar, or pure refined anhydrous or monohydrate dextrose, of not less than 95 percent purity calculated on a dry basis, may be used. If a solution of water and pure sugar is to be used, invert sugar syrup produced from pure sugar by recognized methods of inversion may be used in the preparation of such solution.

(68A Stat. 672; 26 U. S. C. 5392)

§ 240.355 *Exemption from rectification tax.* The cellar treatment of wine as authorized by this part is exempt from rectification tax. Treatment not authorized by this part, which changes the basic composition of the wine or results in the production of any imitation or compound wine, subjects the wine to rectification tax, unless the proprietor shows, to the satisfaction of the assistant regional commissioner, that such treatment was not knowingly used in violation of law.

(68A Stat. 672, 695; 26 U. S. C. 5391, 5661)

§ 240.356 *Use of essences, flavors or colors prohibited.* Essences, flavoring or coloring materials may not be used in the production of wine on bonded wine cellar premises, except special natural wine, and honey wine, produced in accordance with provisions of Subpart S and Subpart T of this part, respectively. The use of such materials in other wine results in the production of an imitation or compound wine, with liability to rectification tax, and is permitted only on the premises of a rectifying plant.

(68A Stat. 616, 671; 26 U. S. C. 5082, 5386, 5387)

SUBPART P—PRODUCTION AND TREATMENT OF NATURAL GRAPE WINE

§ 240.360 *General.* Natural grape wine is the product of the juice of sound, ripe grapes, made with cellar treatment authorized by this part and having a total sugar or total solids content subject to limitations stated in this subpart, but the total solids content of the wine shall in no case exceed 21 percent by weight.

(68A Stat. 668, 669; 26 U. S. C. 5381, 5382, 5383)

PRODUCTION WITHOUT THE USE OF SUGAR

§ 240.361 *Materials.* In the production of natural grape wine without the use of sugar, no materials may be added to the juice or crushed grapes at the time of starting fermentation, except:

(a) Water to reduce the juice to not less than 22 degrees (Brix) of total solids;

(b) Yeast, or yeast cultures grown in grape juice, to any extent desired; or

(c) Yeast foods, sterilizing agents, or other fermentation adjuncts under the provisions of §§ 240.529 and 240.530.

(68A Stat. 668, 669; 26 U. S. C. 5381, 5382, 5383)

§ 240.362 *Crushing and fermentation.* Water added at the time of crushing, including that necessary to flush equipment, may not reduce the density of the juice below 22 degrees Brix, in the production of natural wine: *Provided,* That if the total solids content of the juice is less than 23 degrees Brix, water used to flush equipment shall reduce the total solids content of the juice less than one degree Brix. (This limitation does not apply where water is used in the production of wine from high acid grapes; however, the limitations stated in § 240.366 are applicable.) Upon removal of wine from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. This removal must be made within 15 days after the deposit of the material in fermenters, unless the proprietor desires to hold the wine for completion of fermentation, in which case the wine must be considered in intermediate storage. The period of intermediate storage may not exceed six months, unless such period is extended by the assistant regional commissioner upon a showing of necessity.

(68A Stat. 666, 668; 26 U. S. C. 5367, 5382)

§ 240.363 *Use of grape juice and concentrated grape juice for sweetening.* Natural grape wine may be sweetened by the addition of concentrated or unconcentrated grape juice, the only limitation being that the total solids content of the finished wine may not exceed 21 percent by weight. If wine spirits are added, the wine may be sweetened with juice or concentrated juice either before or after the addition of wine spirits.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.364 *Acids.* Acids of the kinds occurring in grapes may be used to correct natural deficiencies in the fruit, or juice, or wine made therefrom. Where the juice or wine has a fixed acid content less than five parts per thousand (calculated as tartaric acid), acid may be added to bring the content up to five parts per thousand, if the proprietor considers the juice or wine deficient in acid. Where the producer of the juice or wine, as the result of analysis or organoleptic test, deems there is a natural deficiency in acid regardless of acid content, acid may be added by him to increase such content not to exceed two parts per thousand, including all acid previously added. Where ameliorating material, as authorized in § 240.366, is used in the production of grape wine, no acid may be used to correct deficiencies; however, citric acid may be used for stabilizing any grape wine, as provided in § 240.526. Only tartaric, citric, or malic acid may be added to the juice or wine of grapes to correct natural deficiencies. If it is desired to use other acids, the requirements of § 240.530 should be followed. Record of the use of acid under the provisions of this section shall be kept in accordance with § 240.917.

(68A Stat. 668; 26 U. S. C. 5382)

PRODUCTION WITH THE USE OF SUGAR

§ 240.365 *Materials.* In the production of natural wine from grapes having a fixed acid content over five parts per thousand, water, pure dry sugar, or a combination of water and pure dry sugar may be added, subject to the limitations set forth in § 240.366. No other materials may be used at the time of starting fermentation, except:

(a) Yeast, or yeast cultures grown in grape juice, to any extent desired; or

(b) Yeast foods, sterilizing agents, or other fermentation adjuncts, under the provisions of §§ 240.529 and 240.530.

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.366 *Limitations on amelioration.* In producing wine from grapes or grape juice having a high acid content, there may be added to the juice or to the wine, or to both, ameliorating material consisting of either water, or pure dry sugar, or a combination of water and pure dry sugar, in such total volume as may be necessary to reduce the natural fixed acid content of the mixture of juice and such ameliorating material to a minimum of five parts per thousand. The acid content shall be determined before fermentation, and calculated as tartaric acid. The volume of the ameliorating material shall not exceed 35 percent of the total volume of the ameliorated juice or wine (calculated exclusive of pulp). The ameliorating material may be added before or during fermentation, in fermenters or in intermediate storage. If a mixture of water and pure dry sugar is to be used, invert sugar syrup may be used in place of part or all of such mixture. See Subpart XX of this part for tables showing the maximum quantity in gallons of ameliorating material that may be added to each 1000 gallons of juice (exclusive of pulp) based on the acid expressed in parts per thousand of tartaric acid.

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.367 *Record of production.* Upon completion of fermentation and removal from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. This removal must be made within 15 days after the deposit of the material in fermenters, unless the proprietor desires to hold the wine for completion of amelioration or fermentation, in which case the wine must be considered in intermediate storage and recorded as produced upon removal therefrom. The period of intermediate storage may not exceed six months, unless such period is extended by the assistant regional commissioner upon a showing of necessity.

(68A Stat. 666, 669; 26 U. S. C. 5367, 5383)

§ 240.368 *Sweetening in permanent storage.* Any natural grape wine produced under the provisions of § 240.361 or § 240.365 and containing less than 10 percent by weight of sugar solids, may be sweetened with pure dry sugar or concentrated or unconcentrated grape juice in permanent storage. After sweetening, the wine may not have a sugar solids content in excess of 10 percent by weight, if any sugar has been added, and the alcohol content after sweetening must be less than 14 percent by volume.

(68A Stat. 668, 669; 26 U. S. C. 5382, 5383)

§ 240.369 *Reserve inventory.* High acid grape wine produced as provided in § 240.366 must be transferred to reserve inventory if it is desired to add wine spirits, or to sweeten it without regard to the 10 percent limitation stated in § 240.368. Likewise, wine produced under the provisions of § 240.361 must be transferred to reserve inventory if both sugar and wine spirits are to be added. The transfer will be accomplished by making the proper entries in the reserve inventory record prescribed by § 240.907, and by marking the containers of the wine transferred with the letters "RS."

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.370 *Sweetening of grape wine in reserve inventory.* At the time of transfer of any lot of wine to reserve inventory, the sugar balance of the reserve inventory account will be credited with an amount of dry sugar equivalent to the volume of authorized ameliorating material available to the lot of wine but not used at the time of transfer, calculated at the rate of thirteen and one-half pounds of dry sugar for each gallon of unused ameliorating material. In addition, the sugar balance will be credited with nine-tenths pound of dry sugar for each gallon of wine so transferred and such unused ameliorating material combined. The entries will be made according to the detailed instructions on Form 2055. Pure dry sugar may be used to sweeten grape wine in reserve, in any amount not exceeding the available sugar balance. Wine in reserve may also be sweetened with grape juice or concentrated grape juice, the only limitation being that the finished wine may not have a total solids content in excess of 21 percent by weight. No additional sugar credit will be allowed for grape juice or concentrated grape juice used for sweetening wine in reserve.

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.371 *Limitations on grape wine in reserve inventory.* Grape wine while in reserve inventory:

(a) may not be blended except with other grape wine in reserve inventory;

(b) may not be ameliorated;

(c) may not be used in the production of effervescent wine;

(d) may not be used in the production of specially sweetened natural wine;

(e) may not be used in the production of special natural wine; and

(f) may not be removed from the premises.

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.372 *Transfer of wine from reserve inventory.* Wine may be transferred from reserve inventory at any time for storage, finishing, use in the production of wine of another class, removal from the premises, or other authorized purposes. The transfer will be accomplished by making the prescribed entries in the reserve inventory account and removing the letters "RS" from the storage containers. Before removing any lot of wine from reserve, the reserve inventory account will be balanced and the average sugar credit per gallon determined according to instructions issued in respect thereto. The average sugar credit per gallon will be multiplied by the number of gallons of wine to be withdrawn and the quantity thus determined deducted from the sugar balance. At the time of withdrawal from reserve, natural grape wine shall have an alcohol content of less than 14 percent by volume and a total solids content not in excess of 21 percent by weight, except that if wine spirits have been added and the alcohol content is 14 percent by volume or more, the sugar solids content shall not exceed 15 percent by weight. These limitations as to alcohol and solids contents shall not apply where wine is withdrawn from reserve for the production of specially sweetened wines under the provisions of Subpart R of this part. Wine once withdrawn from reserve inventory may not again be entered into reserve inventory.

(68A Stat. 669; 26 U. S. C. 5383)

§ 240.373 *High acid grape wine not transferred to reserve inventory.* Wine produced under the provisions of § 240.366 need not be entered into reserve inventory, provided:

(a) no wine spirits are to be added;

(b) the wine is not to be sweetened, or is to be sweetened as provided in § 240.368; or

(c) the wine is to be used in the production of specially sweetened natural wine under Subpart R of this part.

(68A Stat. 669; 26 U. S. C. 5383)

Addition of Wine Spirits

§ 240.374 *General.* Grape wine spirits may be added to natural grape wine produced within the limitations of § 240.361 or § 240.366. The addition of such spirits to wine made under the provisions of § 240.366 may be effected only while the wine is in reserve inventory. The wine spirits will be procured as provided in Subpart PP of this part and will be added to the wine under the supervision of an internal revenue officer. The proprietor will advise the assistant regional commissioner, or other designated officer, in sufficient time that an internal revenue officer may be assigned. The assistant regional commissioner, in his discretion, may permit the addition of wine spirits without supervision.

(68A Stat. 666, 667, 668; 26 U. S. C. 5366, 5373, 5382)

§ 240.375 *Application for release of wine spirits.* Prior to the addition of wine spirits, the wine will be placed in tanks (approved for the addition of wine spirits) located, equipped, and calibrated as provided in Subpart F of this part. The proprietor will accurately measure the wine, determine its alcohol content, the proof of the wine spirits to be added, calculate the quantity of wine spirits required (in accordance with instructions in Subpart XX of this part), and enter the details on Form 275, prepared in triplicate. Forms 275 will be serially numbered, commencing with "1" on July 1 of each year. The alcohol content of the wine after the addition of wine spirits must not exceed 24 percent. The proprietor will certify on Form 275 that the wine has been produced in accordance with the requirements of this subpart and is eligible for the addition of wine spirits, and will make application for the release of the quantity of wine spirits desired by delivering one copy of Form 275 to the internal revenue officer. In the discretion of the internal revenue officer, a sample of the wine may be taken before addition of the wine spirits.

(68A Stat. 666, 667; 26 U. S. C. 5367, 5373)

§ 240.376 *Gauge of wine spirits.* If the wine spirits to be used are on deposit in the bonded wine cellar, or are received immediately prior to use from a distillery or warehouse not adjacent to the bonded wine cellar, the proprietor, under the supervision of the internal revenue officer, will gauge the wine spirits released to him for use in wine production and will prepare a report of the gauge on Form 1520, in triplicate, appropriately modified. A copy of such Form 1520 shall be attached to each copy of Form 275.

(68A Stat. 666; 26 U. S. C. 5367, 5368)

§ 240.377 *Wine spirits in tanks.* If the wine spirits are in a wine spirits storage tank on the bonded wine cellar premises, the proprietor will determine the quantity used, by volume gauge or by weight, and the proof of the spirits. Upon completion of the transfer of wine spirits from the wine spirits storage tank to the wine spirits addition tank, the internal revenue officer will lock the wine spirits storage tank. If the wine spirits are received by pipeline from an adjacent fruit distillery or internal revenue bonded warehouse, and are run directly into the wine spirits addition tank, the gauge of the spirits made on the adjacent premises will be used. The internal revenue officer at the adjacent premises will deliver two copies of Form 1520 to the proprietor of the bonded wine cellar for attachment to Form 257, as provided in § 240.834.

(68A Stat. 666, 667; 26 U. S. C. 5368, 5373)

§ 240.378 *Wine spirits in packages.* If the wine spirits to be used are in packages, the proprietor will remove from the wine spirits storage room, under the supervision of the internal revenue officer, a sufficient number of such packages to furnish the quantity of wine spirits indicated on Form 275. The proprietor will gauge (proof and weigh) each package except that if a metal gauging tank accurately calibrated or mounted on scales is provided, the contents of the packages may be run into the gauging tank and a bulk gauge obtained by weight or by volume. If the packages have been received from a contiguous fruit distillery or internal revenue bonded warehouse for immediate use, the packages need not be regauged in the bonded wine cellar unless there is some indication that the contents of the packages may not be in agreement with the withdrawal gauge. If the quantity of wine spirits required is not approximately equal to the contents of a number of whole packages, a portion of one package may be used and the remnant package returned to the wine spirits storage room. The proprietor, under the supervision of the internal revenue officer, will weigh and proof the remnant package and will attach to it a label showing the date of gauge, serial number of the Form 275, the gross weight, and proof. The remnant must be used at the first opportunity.

(68A Stat. 666, 667; 26 U. S. C. 5366, 5367, 5368, 5373)

§ 240.379 *Report of addition of wine spirits.* After the wine spirits have been added to the wine, the proprietor will thoroughly agitate the contents of the tank to assure a complete mixture of the wine and wine spirits. He will then measure the quantity of wine in the tank, take three representative samples of the wine, and test one for alcohol content. He will record on Form 275 the result of his measurement and test and the quantity of wine spirits added as shown by Form 1520. The original of Form 275 (with Form 1520, if the wine spirits have been regauged) will be forwarded promptly to the assistant regional commissioner and the other retained for the proprietor's files. The quantity of wine and wine spirits used, and the quantity of wine resulting from addition of wine spirits, will be entered in the cellar records.

(68A Stat. 666, 667, 668; 26 U. S. C. 5367, 5373, 5382)

§ 240.380 *Samples.* Two samples of each tank of wine to which wine spirits have been added will be delivered to the internal revenue officer. Each sample will be not less than one pint.

§ 240.381 *Addition of wine spirits to other grape wine.* The provisions of §§ 240.374 to 240.380 shall be followed where proprietors desire to use wine spirits in the production of heavy bodied blending wine, Spanish type blending sherry and similar products produced under the provisions of Subpart U of this part.

(68A Stat. 664, 667, 668; 26 U. S. C. 5361, 5373, 5382)

§ 240.382 *Addition of wine spirits to juice or concentrated juice.* Wine spirits may be added to the juice or concentrated juice of grapes in the same manner as to wine, as provided in §§ 240.374 to 240.380. The alcohol content of the juice or concentrated juice shall not exceed 24 percent by volume after the addition of wine spirits. Juice or concentrated juice to which wine spirits have been added is not wine, but shall be accounted for as wine, and may be used only in the production of wine on standard wine premises.

(68A Stat. 667, 668; 26 U. S. C. 5373, 5382)

§ 240.383 *Storage of juice and concentrated juice to which wine spirits have been added.* Grape juice or concentrated grape juice to which wine spirits have been added will be stored in wine storage tanks plainly marked to show the nature of their contents, including the percentage of alcohol by volume, with a tolerance of one percent allowed. Juice or concentrated juice to which wine spirits have been added will be included in the appropriate tax classification of any wine inventory, but will be properly identified. It will be reported on Form 702 as wine, but a separate record similar to that required in § 240.484, for heavy bodied blending wine shall be maintained.

(68A Stat. 668; 26 U. S. C. 5382)

OTHER CELLAR TREATMENT

§ 240.384 *Baking of wine.* Wine may be baked on bonded wine cellar premises. Wooden storage tanks used for the addition of wine spirits may not be used for baking. The baking record required by § 240.919 must be maintained. (See § 240.521 for additional requirements regarding sun baking).

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.385 *Production of Flor sherry wine.* Proprietors desiring to produce sherry wine by the Flor process may add wine spirits to such wine at two different times, once before and once after the Flor treatment. A statement of process on Form 698–Supplemental, in quadruplicate, giving details of the production process, shall be filed with the assistant regional commissioner and approved prior to the commencement of production. Where the proprietor has on file on the effective date of this part approved formulas covering the production of Flor sherry wine, new formulas need not be filed unless requested by the assistant regional commissioner. If wine spirits are to be added at two different times a record shall be kept showing dates and quantities of first addition of wine spirits for Flor sherry production, inoculation with Flor sherry yeast and a record showing storage and movement of the wine to the time of the second addition of wine spirits. In case wine spirits are to be added only once, no separate record is required. Gypsum (calcium sulphate) may be used in the production of sherry wine by the Flor process, provided the finished wine contains no more than two grams of gypsum per 1,000 ml. of wine.

(68A Stat. 667, 668; 26 U. S. C. 5373, 5382)

§ 240.386 *Blending.* Natural grape wines may be blended with each other, or with heavy bodied blending wine produced under the provisions of Subpart U of this part, or with concentrated or unconcentrated grape juice to which wine spirits have been added. If the resultant product is to be a natural grape wine, the total solids content may not exceed 21 percent by weight. Concentrated or unconcentrated grape juice to which wine spirits have been added may not contribute as much as one-half the volume of any finished wine.

(68A Stat. 668; 26 U. S. C. 5382)

SUBPART Q—PRODUCTION AND TREATMENT OF NATURAL FRUIT WINE

§ 240.400 *General.* Natural fruit wine is the product of the juice of sound ripe fruit or berries (other than grapes), made with such cellar treatment as is authorized in this part, and containing not more than 21 percent by weight of total solids.

(68A Stat. 668, 670; 26 U. S. C. 5381, 5384)

PRODUCTION WITHOUT THE USE OF SUGAR

§ 240.401 *Materials.* In the production of natural fruit wine (made without sugar) no material may be added to the juice or crushed fruit at the time of starting fermentation, except:

(a) Yeast, or yeast cultures grown in juice of the same kind of fruit, to any extent desired; and

(b) Yeast foods, sterilizing agents, or other fermentation adjuncts under the provisions of §§ 240.529 and 240.530.

(68A Stat. 668; 26 U. S. C. 5381)

§ 240.402 *Crushing and fermentation.* Water added at the time of crushing, including that necessary to flush equipment, may not reduce the density of the juice below 22 degrees Brix, in the production of natural fruit wine: *Provided,* That if the total solids content of the juice is less than 23 degrees Brix, water used to flush equipment shall reduce the total solids content of the juice less than one degree Brix. (This limitation does not apply where water is used in the production of wine from high acid fruit; however, the limitations stated in § 240.407 are applicable.) Upon removal of wine from fermenters, the quantity of liquid will be determined accurately and recorded as wine produced. This removal must be made within 15 days after the deposit of the material in fermenters, unless the proprietor desires to hold the wine for completion of fermentation, in which case the wine must be considered in intermediate storage. The period of intermediate storage may not exceed six months, unless such period is extended by the assistant regional commissioner upon a showing of necessity.

(68A Stat. 666, 668; 26 U. S. C. 5367, 5382)

§ 240.403 *Use of juice and concentrated juice for sweetening.* Natural fruit wine may be sweetened by the addition of concentrated or unconcentrated juice made from the same kind of fruit, the only limitation being that the finished wine may not have a total solids content in excess of 21 percent by weight. If wine spirits are added, the wine may be sweetened with juice or concentrated juice either before or after the addition of wine spirits.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.404 *Acids.* Acids of the kinds occurring in a fruit may be used to correct natural deficiencies in the fruit, or juice, or wine made therefrom. Where the juice or wine has a fixed acid content less than five parts per thousand (calculated as malic acid for apples and citric acid for other fruits or berries), acid may be added to bring the acid content up to five parts, if the proprietor considers the juice or wine deficient. Where the producer of the juice or wine, as the result of analysis or organoleptic test, deems there is a natural deficiency in acid regardless of acid content, acid may be added by him to increase such content not to exceed two parts per thousand, including all acid previously added. Where ameliorating material, as authorized in § 240.407, is used in the production of fruit wine, no acid may be used to correct deficiencies. Only malic acid may be added to apple wine, only citric acid to citrus fruit wine, and only citric or malic acid to other fruit wines to correct natural deficiencies. If it is desired to use other acids, the requirements of § 240.530 should be followed. Record of the use of acid under the provisions of this section shall be kept in accordance with § 240.917.

(68A Stat. 668; 26 U. S. C. 5382)

PRODUCTION WITH THE USE OF SUGAR

§ 240.405 *Materials.* In the production of natural fruit wine from fruit or berries by a method other than that described in §§ 240.401 through 240.404, water, pure sugar, or a combination of water and pure sugar, may be added, subject to the limitations set forth in §§ 240.406 and 240.407. No other materials may be used at the time of starting fermentation, except:

(a) Yeast, or yeast cultures, grown in juice of the same kind of fruit, to any extent desired; and

(b) Yeast foods, sterilizing agents, or other fermentation adjuncts under the provisions of §§ 240.529 and 240.530.

(68A Stat. 670; 26 U. S. C. 5384)

§ 240.406 *Ameliorating and sweetening with dry sugar only.* Wine made from fruit or berries, other than grapes, or from mixtures (which may include grapes) of two or more fruits or berries, may be ameliorated or sweetened by the addition of dry sugar only, provided:

(a) The alcohol content of the wine after fermentation, or after complete fermentation and sweetening, shall be less than 14 percent by volume; and

(b) The total solids content of the finished wine shall not exceed 21 percent by weight.

The sweetening must be done in permanent storage and wine spirits may not be added.

(68A Stat. 670; 26 U. S. C. 5384)

§ 240.407 *Limitations on other amelioration.* In producing wine from fruit other than grapes, or from mixtures (which may include grapes) of two or more fruits, the juice may be ameliorated by adding a sufficient quantity of pure dry sugar to adjust the juice to a total solids content prior to fermentation of not more than 23 degrees Brix. Thereafter, there may be added to the juice or to the wine, or to both, ameliorating material consisting of either water, or pure dry sugar, or a combination of water and pure dry sugar, in such total volume as may be necessary to reduce the natural fixed acid content of the mixture of juice and such ameliorating material to a minimum of five parts per thousand. The acid content shall be determined before fermentation, and calculated as malic acid for apple wine and as citric acid for other fruit wine. The volume of the ameliorating material shall not exceed 35 percent of the total volume of the ameliorated juice or wine (calculated exclusive of pulp), except that in the case of wine made exclusively from loganberries, currants, or gooseberries, the volume limitation shall be 60 percent. In determining the amount of ameliorating material permitted, the volume of the juice obtained after correction with dry sugar within the 23 degrees limitation shall be used as a basis for the calculation. The ameliorating material may be added before or during fermentation, in fermenters or in intermediate storage. If a mixture of water and pure dry sugar is to be used, invert sugar syrup may be used in place of part or all of such mixture. See Subpart XX of this part for tables showing the maximum quantity in gallons of ameliorating material that may be added to each 1,000 gallons of juice (exclusive of pulp) based on the acid expressed in parts per thousand.

(68A Stat. 670; 26 U. S. C. 5384)

§ 240.408 *Record of production.* Upon completion of fermentation and removal from fermenters, in the production of wine under the provisions of § 240.406 or 240.407, the quantity of liquid will be determined accurately and recorded as wine produced. This removal must be made within 15 days after deposit of the material in fermenters, unless the proprietor desires to hold the wine for completion of amelioration or fermentation, in which case the wine must be considered in intermediate storage and recorded as produced upon removal therefrom. The period of intermediate storage may not exceed six months, unless such period is extended by the assistant regional commissioner upon a showing of necessity.

(68A Stat. 666, 670; 26 U. S. C. 5367, 5384)

§ 240.409 *Reserve inventory.* Fruit wine ameliorated under the provisions of § 240.407 may be transferred to reserve inventory for sweetening or, in the case of wine made from a single kind of fruit, the addition of wine spirits. Separate reserve inventories will be established for each kind of fruit wine. The treatment of fruit wine while in reserve inventory will be subject to the same limitations and allowances applicable to grape wine, as provided in §§ 240.369 through 240.372. The reserve inventory account required by those sections will be maintained separately for each kind of wine and the credits and balancing of the account will be calculated in the same manner as for grape wine, except that wines made exclusively from loganberries, currants, or gooseberries shall be credited with unused ameliorating material on the basis of a 60 percent allowance instead of 35 percent. At the time of withdrawal from reserve inventory, fruit wines shall have an alcohol content less than 14 percent by volume (unless wine spirits have been added) and a total solids content not in excess of 21 percent by weight. The limitations as to alcohol shall not apply where wine is withdrawn from reserve for the production of specially sweetened wine under the provisions of Subpart R of this part.

(68A Stat. 669, 670; 26 U. S. C. 5383, 5384)

§ 240.410 *Fruit wine not transferred to reserve inventory.* Wine produced under the provisions of § 240.407 need not be entered into reserve inventory: *Provided:*

(a) No wine spirits are to be added;

(b) The wine is not to be sweetened after removal from fermenters or intermediate storage; or

(c) The wine is to be used in the production of specially sweetened wine under Subpart R of this part.

(68A Stat. 670; 26 U. S. C. 5384)

§ 240.411 *Addition of wine spirits.* To fruit wine produced from one kind of fruit under the provisions of § 240.401 or 240.407, wine spirits from the same kind of fruit may be added according to the procedures prescribed in §§ 240.374 through 240.380. Wine spirits may not be added to fruit wine made from mixtures of two or more fruits. In the case of wine produced under the provisions of § 240.407 wine spirits may be added only while the wine is in reserve inventory. Where the proprietor desires to add wine spirits made from the same kind of fruit to juice or concentrated juice, the provisions of §§ 240.382 and 240.383 (relative to the addition of wine spirits to grape juice or concentrated grape juice) shall be followed.

(68A Stat. 667, 668; 26 U. S. C. 5373, 5382)

§ 240.412 *Blending.* A natural fruit wine may be blended with another natural fruit wine made from the same kind of fruit, or with heavy bodied blending wine made from the same kind of fruit (produced under the provisions of Subpart U of this part), or with concentrated or unconcentrated juice of the same fruit, to which wine spirits have been added. If the resultant product is to be a natural fruit wine, the total solids content may not exceed 21 percent by weight. Concentrated or unconcentrated fruit juice to which wine spirits have been added may not contribute as much as one-half of the volume of any finished wine.

(68A Stat. 668; 26 U. S. C. 5382)

SUBPART R—SPECIALLY SWEETENED NATURAL WINE

§ 240.430 *Production.* Specially sweetened natural wine is produced by adding to natural wine (including unfinished natural wine containing 14 percent or more of alcohol) of the proprietor's own production sufficient dry sugar, or juice, or concentrated juice of the same kind of fruit, separately or in combination, so that the finished product has a sugar solids content in excess of 15 percent by weight, a total solids content not over 35 percent by weight, and an alcohol content less than 14 percent by volume. The containers of unfinished natural wine having an alcohol content of 14 percent or more, held in permanent storage for the production of specially sweetened wine, will be marked to show the intended use. Natural wine containing added wine spirits may be used in the production of specially sweetened natural wine; however, wine spirits may not be added to specially sweetened natural wine. Wine may be withdrawn from reserve inventory for use in the production of specially sweetened natural wine without regard to the alcohol or solids content of the wine at the time of withdrawal.

(68A Stat. 671; 26 U. S. C. 5385)

§ 240.431 *Blending.* Specially sweetened natural wines from the same kind of fruit may be blended with each other or with additional natural wine, or heavy bodied blending wine (including juice or concentrated juice to which wine spirits were added) from the same kind of fruit, in the further production of specially sweetened natural wine only.

(68A Stat. 671; 26 U. S. C. 5385)

SUBPART S—SPECIAL NATURAL WINE

§ 240.440 *Materials.* Special natural wine is a flavored wine made on bonded wine cellar premises from a base of natural wine. The flavoring added may include herbs, spices, fruit juices, natural aromatics, natural essences, or other natural flavorings, in such quantities or proportions that the resulting product derives a distinctive flavor from their use, and may be distinguished from natural wine not so treated. Fruit juices may not be used to give to one natural wine the flavor of another, but may be used together with herbs, spices, etc., to produce a wine having a distinctive flavor. In addition to flavoring material, caramel may be added for coloring, and sugar, sugar syrup, or water, may be added to the extent permitted by §§ 240.443 and 240.444. If effervescent special natural wine is to be produced, either naturally or by artificial carbonation, the requirements of Subpart W of this part, as well as the requirements of this subpart, must be followed.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.441 *Formula required.* Before producing any special natural wine, the proprietor must receive approval of the formula by which it is to be made. The formula and process will be described on Form 698—Supplemental, which will be filed, in quadruplicate, with the assistant regional commissioner. Two samples, not smaller than one pint each, of the finished special natural wine will be submitted with the formula. The samples will be taken to be representative of the finished product, and any material change in the flavor or other characteristics from those of the approved sample will require the filing of a new formula, even though the ingredients may be the same. All ingredients used will be shown on Form 698—Supplemental, and in the case of the basic wine, fruit juices, essences, sugar, water, or other soluble ingredients, the quantities required to make 1,000 gallons of special natural wine will be stated. In the case of roots, herbs, or similar materials, the quantity need not be stated, but each ingredient will be listed. The process of production will be stated in detail.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.442 *Formulas previously approved.* Where the proprietor has filed and received approval of a formula for the production of special natural wine prior to the effective date of this part, he may continue the manufacture of such wine without filing a new formula: *Provided*, That there has been no material change in the characteristics of the wine since approval of the original formula and sample.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.443 *Production by fermentation.* If, in the production of special natural wine, the flavoring materials are added before or during fermentation, adequate precautions must be taken to prevent the accidental flavoring of other wine by contamination. Special natural wine made under this section may be ameliorated with sugar, water, or a combination of sugar and water (or invert sugar syrup) in the same manner and to the same extent as natural wine made from the same fruit, as provided in subpart P of this part in the case of grape wine, or Subpart Q of this part in the case of fruit wine. Special natural wine may not be entered into reserve inventory, nor may wine spirits be added to special natural wine, except the wine spirits contained in authorized essences made on bonded wine cellar premises as provided in § 240.446, or approved essences made elsewhere. Retsina wine is an example of special natural wine made under this section. Upon removal of the wine from fermenters the quantity of liquid will be determined accurately and recorded as wine produced. This removal must be made within 15 days after the deposit of the material in fermenters, unless the proprietor desires to hold the wine for completion of fermentation or amelioration, in which case the wine must be considered in intermediate storage and recorded as produced upon removal therefrom. The period of intermediate storage may not exceed six months unless such period is extended by the assistant regional commissioner upon a showing of necessity.

(68A Stat. 666, 671; 26 U. S. C. 5367, 5386)

§ 240.444 *Use of natural wine in production of special natural wine.* If flavoring materials are not to be added before or during fermentation, as provided in § 240.443, they may be added only to natural wine for the production of special natural wine. Any natural wine produced as provided in Subparts P and Q of this part may be used for this purpose. Caramel, sugar, or sugar-water solution of not less than 60 degrees (Brix), may be used in special natural wine made under this section. Water may be used for the purpose of facilitating the extraction of flavor from herbs and adjustment of the alcohol content of vermouth to a precise percentage. The amount of water so used shall not be in excess of 10 percent of the volume of vermouth to which it is added. Heavy bodied blending wine (including juice or concentrated juice to which wine spirits have been added) may be used in the production of special natural wine if its use is specified in the formula. Special natural wine may be made in wine storage tanks; however, if the production process requires more than one day for completion, or if maceration and steeping are a part of the process, processing tanks must be provided for the production of special natural wine. Precautions must be taken in the cleaning of tanks and equipment, or by providing separate tanks and equipment, to prevent the accidental flavoring of other wine by contamination.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.445 *Essences.* Essences or extracts (preparations of natural constituents extracted from fruits, herbs, berries, etc.) may be used in the production of special natural wine. The essences may be produced on the bonded wine cellar premises or elsewhere, as provided in §§ 240.446 and 240.447. Where essences contain distilled spirits, the essences used may not increase the volume of the special natural wine more than 10 percent nor its alcohol content more than 4 percent by volume.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.446 *Essences produced on the premises.* Essences produced on bonded wine cellar premises may be made by the use of wine, taxpaid wine spirits, taxpaid ethyl alcohol, or wine spirits withdrawn tax-free under the provisions of Subpart PP of this part. The description of the process of production of the essence may be included as a part of the formula for production of the special natural wine, or a separate formula on Form 698—Supplemental may be filed covering production of the essence. If a separate formula is filed for the essence, the use of the essence by formula number will be shown on the Form 698—Supplemental covering the special natural wine in which it is to be used. If essences are to be made in quantities greater than required for individual lots of special natural wines, and stored on the premises, separate formulas for the essences must be filed. Essences made on bonded wine cellar premises by the use of tax-free wine spirits may not be removed from the premises where made, but must be used in the production of special natural wine on such premises. Form 698—Supplemental, covering the production of essences will be filed in the same manner as for the production of special natural wine, except that samples of essences shall be not less than four ounces each.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.447 *Essences made elsewhere.* An essence made elsewhere than on bonded wine cellar premises may be used in the production of special natural wine, provided the manufacturer of the essence secures approval for its use. The manufacturer will file a statement, in duplicate, of the materials and processes used in the manufacture of the essence, with the Director, Alcohol and Tobacco Tax Division, Internal Revenue Service, Washington, D. C. A sample, not less than four ounces in amount, will be submitted with the statement. The essence will be identified by the name of the manufacturer, and the name of the essence, or an identifying number. A separate statement and sample must be submitted for each essence to be used for special natural wine production. The Director, Alcohol and Tobacco Tax Division, will notify the manufacturer of approval or disapproval of the essence for use in wine production. If approved, the proprietor of a bonded wine cellar may describe the essence on Form 698—Supplemental by manufacturer and name or number, without submitting additional samples of the essence.

(68A Stat. 671; 26 U. S. C. 5386)

§ 240.448 *Blending.* Special natural wines of the same class and kind may be blended with each other, and with heavy bodied blending wine, or natural wine of the same kind of fruit, in the further production of special natural wine. Where the proprietor desires to blend a special natural wine produced under one formula with a special natural wine produced under another formula, he may do so only pursuant to an approved formula authorizing such blending: *Provided*, That where two or more formulas have been approved for the production of the same type of special natural wine, as for example, sweet vermouth produced under two or more formulas, or lightly flavored dry vermouth produced under two or more formulas, the products may be blended without obtaining prior approval or submission of an additional formula.

(68A Stat. 671; 26 U. S. C. 5386)

SUBPART T—AGRICULTURAL WINE

§ 240.460 *General.* Agricultural wine may be made on bonded wine cellar premises from suitable agricultural products other than the juice of fruit. Water or pure sugar, or both, may be used within the limitations of this subpart in the production of standard agricultural wine. Agricultural wine may not be flavored or colored, except that hops may be used in the production of honey wine; wine spirits may not be used in the production of such wine; and a wine made from one agricultural product may not be blended with a wine made from another agricultural product. Agricultural wine made with sugar other than pure sugar or with sugar or water in excess of the limitations of this subpart may not be made or stored on standard wine premises.

(68A Stat. 671; 26 U. S. C. 5387)

PRODUCTION

§ 240.461 *Raisin wine.* In the production of wine from raisins, sufficient water may be added to restore the moisture content of the fresh grape. (As a rule, three parts of water by weight to each part of raisins will restore the moisture content.) If it is desired not to restore the raisins to the moisture content of the fresh grape, or if such moisture content is not known, sufficient water may be added to reduce the density to 22 degrees Brix. After such addition of water, the resulting liquid may be ameliorated with either water or pure dry sugar, or a combination of water and pure dry sugar, in such total volume as may be necessary to reduce the natural fixed acid content of the mixture to a minimum of five parts per thousand, but in no event may the volume of the ameliorating material exceed 35 percent of the total volume of the ameliorated juice or wine (calculated exclusive of pulp). Pure dry sugar may be used for sweetening. The finished product shall have an alcohol content of less than 14 percent after complete fermentation or complete fermentation and sweetening, and the total solids content shall be not over 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees Brix, it must be removed under a designation showing that it is unusually sweet.

(68A Stat. 671, 672; 26 U. S. C. 5387, 5388)

§ 240.462 *Other dried fruits.* In the production of wine from dried fruit other than raisins, a quantity of water sufficient to restore the moisture content of the fresh fruit may be added. If it is desired not to restore the dried fruit to the moisture content of the fresh fruit, or if such moisture content is not known, sufficient water may be added to reduce the density to 22 degrees (Brix). If the liquid, after restoration, is deficient in sugar, sufficient pure dry sugar may be added to increase the total solids content to 23 degrees (Brix). Thereafter, either water or a combination of water and pure dry sugar, may be added in such total volume as may be necessary to reduce the natural fixed acid content of the mixture to a minimum of five parts per thousand, but in no event may the volume of the ameliorating material exceed 35 percent of the total volume of the ameliorated juice or wine (calculated exclusive of pulp). Pure dry sugar may be added for sweetening. The product shall have an alcohol content less than 14 percent after complete fermentation or complete fermentation and sweetening and a total solids content not more than 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees (Brix), it must be removed under a designation showing that it is unusually sweet.

(68A Stat. 671, 672; 26 U. S. C. 5387, 5388)

§ 240.463 *Honey wine.* In the production of wine from honey, a quantity of water may be added to facilitate fermentation, but the density of the mixture of honey and water shall not be reduced below 22 degrees (Brix). Hops may be added in quantities not exceeding one pound for each 1,000 pounds of honey, and pure dry sugar or honey may be added for sweetening. The product shall have an alcohol content less than 14 percent after complete fermentation or complete fermentation and sweetening, and a solids content not more than 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees (Brix), it must be removed under a designation showing that it is unusually sweet.

(68A Stat. 671, 672; 26 U. S. C. 5387, 5388)

§ 240.464 *Other agricultural products.* In the production of wine from agricultural products other than those specified in §§ 240.461, 240.462 and 240.463, water and pure dry sugar may be added to the extent necessary to facilitate fermentation: *Provided*, That the total weight of sugar used for fermentation shall be less than the weight of the primary winemaking material and the density of the mixture prior to fermentation shall not be less than 22 degrees (Brix), if water is used. Additional sugar may be used for sweetening, provided the alcohol content of the finished wine after complete fermentation, or after complete fermentation and sweetening, shall be less than 14 percent by volume and the solids content shall not be more than 35 degrees (Brix). If the finished wine has a total solids content of more than 21 degrees (Brix), it must be removed under a designation showing that it is unusually sweet.

(68A Stat. 671, 672; 26 U. S. C. 5387, 5388)

§ 240.465 *Formula required.* Before producing any agricultural wine, the proprietor of the bonded wine cellar must procure approval of the formula and process by which it is to be made. The formula and process will be described in detail on Form 698-Supplemental, which will be filed in quadruplicate with the assistant regional commissioner.

(68A Stat. 671; 26 U. S. C. 5387)

§ 240.466 *Prohibited agricultural products.* Grain, cereals, malts, or molasses may not be used on bonded wine cellar premises. Alcoholic products made with these materials are not wines and may not be produced or stored on bonded wine cellar premises.

(68A Stat. 671; 26 U. S. C. 5387)

SUBPART U—WINE OTHER THAN STANDARD WINE

§ 240.480 *Use of premises.* Except as provided in § 240.481, wine other than standard wine may not be produced or stored on bonded wine cellar premises used for the production or storage of standard wine.

(68A Stat. 665; 26 U. S. C. 5364)

§ 240.481 *Classes of wine other than standard wine.* The following classes of wine are not standard wine:

(a) High fermentation wine, produced as provided in § 240.483;

(b) Heavy bodied blending wine, produced as provided in § 240.484;

(c) Spanish type blending sherry, or similar wine products not for beverage use, produced as provided in §§ 240.484 and 240.485;

(d) Distilling material, produced as provided in § 240.486;

(e) Vinegar stock, produced as provided in § 240.487;

(f) Wines other than those in classes (a), (b), (c), (d) and (e), not produced within the limitations of Subparts P, Q, and T of this part, but within limitations of § 240.352; and

(g) Spoiled wine, of the kind described in § 240.489.

Wines of classes (a), (b), (c), (d), and (e), may be produced, stored, and handled on standard wine premises. Wine of class (f) may not be produced, stored, or handled on standard wine premises. Wine of class (g) may not remain on standard wine premises, except as provided in § 240.489.

(68A Stat. 665; 26 U. S. C. 5364)

§ 240.482 *Formula required.* Each proprietor desiring to produce wine other than standard wine shall first procure approval of the formula by which it is to be made, except that no formula is required for distilling material or vinegar stock. The formula will be filed on Form 698—Supplemental, in quadruplicate, with the assistant regional commissioner, and must show each ingredient to be used, as well as the process of production. Where the proprietor has on file on the effective date of this part approved formulas covering the production of high fermentation wine, heavy bodied blending wine, or Spanish type blending sherry, new formulas need not be filed unless requested by the assistant regional commissioner.

§ 240.483 *High fermentation wine.* High fermentation wine is a wine made within the limitations of Subpart P for grape wine or Subpart Q of this part for fruit wine, except (a) that the alcohol content after complete fermentation or complete fermentation and sweetening is 14 percent or more; (b) that the wine may not be entered in reserve inventory; and (c) that wine spirits may not be added. While high fermentation wine is not a natural wine or a standard wine, it may be produced, stored, and handled on standard wine premises, subject to appropriate marking or labeling.

(68A Stat. 665, 672; 26 U. S. C. 5364, 5388)

§ 240.484 *Heavy bodied blending wine.* Wine made from grapes or other fruit without added sugar, and with or without added wine spirits, may be made for blending purposes with a total solids content in excess of 21 percent. Heavy bodied blending wine is not natural wine or standard wine, but may be produced, stored, and handled on standard wine premises for use in blending with other wine made from the same kind of fruit, or for removal upon payment of tax, not for sale or consumption as beverage wine. A separate record must be kept showing the quantities of heavy bodied blending wine produced, received, used, shipped, and on hand. Upon removal, the shipping containers (and Form 702, if in bond) will be marked "Heavy Bodied Blending Wine—Not for Sale or Consumption as Beverage Wine."

(68A Stat. 664, 665, 672; 26 U. S. C. 5361, 5364, 5388)

§ 240.485 *Spanish type blending sherry.* Blending wine made with partially caramelized grape concentrate may be produced on bonded wine cellar premises, but not for sale or consumption as beverage wine. Wine of a high solids content and dark in color, produced under this section, will be marked "Spanish Type Blending Sherry—Not for Sale or Consumption as Beverage Wine," and other wine containing caramelized concentrate will be designated and marked "Caramelized Blending Wine—Not for Sale or Consumption as Beverage Wine." The particular kind of wine, such as "sherry" may be shown, if desired. A separate record showing the production and disposition of such blending wine must be maintained. Blending wine of this class is not natural wine or standard wine, and may not be blended with natural wine or standard wine except under an approved formula in the further production of this class of blending wine.

(68A Stat. 664, 665, 672; 26 U. S. C. 5361, 5364, 5388)

§ 240.486 *Distilling material.* Wine may be produced on bonded wine cellar premises from grapes and other fruit, natural fruit products, or fruit residues, for the production of distilling material, using any quantity of water desired to facilitate fermentation or distillation. No sugar may be added in the production of distilling material. Distilling material will be reported as produced at the time of removal from fermenting tanks. Lees, filter wash, and other wine residues, may also be accumulated on bonded wine cellar premises for use as distilling material. Such materials will be reported as wine on Form 702 until water is added to facilitate handling or distillation, when the entire quantity, including the water, will be transferred to the distilling material account. If wine is refermented for use as distilling material as provided in Subpart V of this part, the wine will be transferred to the distilling material account at the time fermentation is started, or when water is added to facilitate refermentation.

(68A Stat. 664, 665; 26 U. S. C. 5361, 5364)

§ 240.487 *Vinegar stock.* Vinegar stock may be produced on bonded wine cellar premises with the addition of any quantity of water desired to meet commercial standards for the production of vinegar. Vinegar stock may be made only by the addition of water to wine, or by the direct fermentation of the juice of grapes or other fruit with added water. If produced by direct fermentation with added water, the production will be recorded on cellar records and reported on Form 702 as vinegar stock. If produced by the addition of water to wine, it will be transferred from the wine account to the vinegar stock account at the time of adding the water.

(68A Stat. 664, 665; 26 U. S. C. 5361, 5364)

§ 240.488 *Other wines.* Except as provided in §§ 240.483, 240.486 and 240.487, wine produced with sugar or water beyond the limitations prescribed for standard wine, or wine made with kinds of sugar not permitted in the production of standard wine, may be produced and stored only on premises qualified for that purpose and on which no standard wine is produced or stored. Upon removal, such wine shall be marked or labeled with a designation which will adequately disclose the nature and composition of the wine.

(68A Stat. 665, 672; 26 U. S. C. 5364, 5388)

§ 240.489 *Spoiled wine.* Whenever a standard wine becomes substandard by reason of its condition, the substandard wine will be removed promptly to premises other than standard wine premises, unless the condition is corrected, the wine is removed in due course for distillation, or is destroyed under Government supervision. Among conditions requiring correction or removal are the development of volatile acidity in excess of the maximum prescribed by Part 4 of Title 27, Code of Federal Regulations issued under the Federal Alcohol Administration Act (49 Stat. 477; 27 U. S. C. 201); or in case no maximum volatile acidity is prescribed by those regulations, a volatile acidity calculated as acetic acid and exclusive of sulphur dioxide in excess of 0.14 gram per ml.; or disease or decomposition, which causes the wine to lack the composition, color and other characteristics of standard wine of the same type.

(68A Stat. 665, 668; 26 U. S. C. 5364, 5381)

SUBPART V—REFERMENTATION OF WINE AND WINE LEES

§ 240.500 *General.* Wine or wine lees may be refermented as provided in this subpart, except that wine or wine lees in which sugar sweetening was used may not be refermented for use as distilling material at a fruit distillery.

(68A Stat. 640; 26 U. S. C. 5215)

§ 240.501 *Application.* When the proprietor desires to referment wine or wine lees, he will file written application with the assistant regional commissioner or with the internal revenue officer if one is assigned at the premises, setting forth the quantity and alcohol content of wine or wine lees he desires to referment, the reasons for desiring to referment, whether the wine or wine lees are to be fermented separately or with other material, and whether the refermented material is to be later removed as wine or as distilling material for use at a fruit distillery. If the wine or wine lees are to be refermented for use as distilling material at a fruit distillery, the application shall specify the date the wine was produced, and, if wine spirits have been added thereto, the date of such addition, and whether sugar sweetening was used in producing the wine: *Provided,* That where it is impracticable to specify the date of production, or addition of wine spirits, the application must establish that no sugar sweetening was used in producing the wine. The operation may not be commenced before approval of the application.

SUBPART W—PRODUCTION OF EFFERVESCENT WINE

§ 240.510 *General.* Sparkling wine and artificially carbonated wine may be made on bonded wine cellar premises. All effervescent wine (wine charged with carbon dioxide) shall be classed as sparkling wine or artificially carbonated wine, and shall be subject to tax as such, regardless of the degree of effervescence or carbonation. Where the effervescence results from fermentation of the wine within a closed container or bottle, the wine shall be classed and taxed as sparkling wine. The use of carbon dioxide gas in the transfer and bottling of bulk sparkling wine is not permitted. Where the wine is carbonated artificially (by injection of carbon dioxide into the wine) it shall be classed and taxed as artificially carbonated wine. Neither the effervescent wine nor the wine used as a base in the production thereof shall have an alcohol content in excess of 14 percent by volume; however, small quantities of wine containing more than 14 percent of alcohol may be used in preparing a dosage for finishing effervescent wine.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.511 *Segregation of operations.* Where more than one process of producing effervescent wine is employed, the portion of the premises used for the production and storage of wine made by each process (bottle fermented, bulk fermented or artificially carbonated) must be physically segregated by partitions of wire netting or other suitable material from the other portions of the premises used for effervescent wine production. If artificially carbonated wine is produced, all containers of carbon dioxide gas will be stored in the portion of the premises used for the production of artificially carbonated wine.

(68A Stat. 665; 26 U. S. C. 5365)

§ 240.512 *Process and materials.* In preparing still wine for the production of sparkling wine, pure sugar and a small amount of tartaric acid, malic acid (for sparkling apple wine), or citric acid, may be added with yeast or yeast culture to facilitate the process of secondary fermentation or to correct the wine. Fruit syrup, pure sugar, wine, wine spirits, and the acids named above, may be used in preparing a finishing dosage for sparkling wine or carbonated wine. The fruit syrup, wine spirits and wine so used must come from the same kind of fruit as the wine from which the sparkling wine or carbonated wine is made. In the production of effervescent natural wine, taxpaid wine spirits or wine spirits withdrawn tax-free under the provisions of Subpart PP of this part, may be used. Tax-free wine spirits may not be used in the production of effervescent wine which is not natural wine. In the refermentation and finishing of the effervescent wine, the materials specifically authorized in § 240.529 may be used.

(68A Stat. 668; 26 U. S. C. 5382)

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§ 240.513 *Statement of process for effervescent wine.* Each proprietor intending to produce sparkling wine or artificially carbonated wine shall submit to the assistant regional commissioner a statement in detail on Form 698—Supplemental showing each process by which he intends to make the product and giving the designation as to kind (class and type) under which he desires to market it. The statement must set forth whether the product will be naturally or artificially carbonated, and if naturally carbonated, whether it will be carbonated in bottles or in tanks or other bulk containers, the kind of wine to be used, and any other materials to be used in connection with secondary fermentation, cellar treatment and finishing of the product. The approximate period of time required to complete production shall also be stated. If more than one process is to be employed, or more than one product is to be made, a separate statement shall be filed for each process and for each product. Each statement of process shall bear the name, registry number, and address of the bonded wine cellar, shall be numbered in serial order beginning with "1" for each bonded wine cellar, shall be filed in quadruplicate, and be approved by the Director, Alcohol and Tobacco Tax Division, before commencing manufacture. Where the proprietor has on file on the effective date of this part approved formulas covering production of effervescent wine, new formulas need not be filed unless requested by the assistant regional commissioner.

(68A Stat. 668, 672; 26 U. S. C. 5382, 5388)

SUBPART X—STORAGE AND FINISHING OF WINE

§ 240.520 *Storage of wine.* Wine must be stored in buildings or tanks on the bonded premises constructed and secured in accordance with the provisions of § 240.140. Wine may be stored in tanks, casks, barrels, cased or uncased bottles, or in any other suitable containers. If fermenting tanks and storage tanks previously used for one class of wine are to be used for wine of another class, the tanks must be carefully cleaned before such use in order to avoid contamination of the wine. It is particularly important that tanks used for special natural wine (flavored wine) be so cleaned or treated that the flavor will not contaminate other wine subsequently placed in the tanks.

§ 240.521 *Sun baking of wine.* Proprietors desiring to bake wine in the sun must provide a secure area on the bonded premises for that purpose. The area provided will be shown on the plat and the means of security described on Form 698.

(68A Stat. 664, 668; 26 U. S. C. 5357, 5382)

§ 240.522 *Marking storage containers.* Each container in which wine is stored shall be marked to show the kind (class and type) and alcohol content of the wine. If the wine was produced under a formula, the formula number must be shown. The alcohol content shall be stated as percentage by volume, with a tolerance of one percent (one and one-half percent in the case of wine containing not over 14 percent alcohol by volume) allowed, provided the alcohol content stated falls within the correct tax classification. Cased bottles need not be marked if the cases containing them are marked as required, and uncased bottles need not be marked if stored in bins or racks which are properly marked.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.523 *Sterilizing and preserving.* Sterilizing and preserving agents, such as sulphur dioxide, potassium metabisulphite, or sodium metabisulphite, may be used to the extent necessary, provided the sulphur content of the finished wine does not exceed the limits prescribed in Part 4, Title 27, Code of Federal Regulations.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.524 *Finishing of wine.* In the process of filtering, clarifying, or purifying wine on bonded wine cellar premises, materials, methods, and equipment may be used to remove cloudiness, precipitation, and undesirable odors and flavors, but the addition of any substance foreign to wine which changes the character of the wine, or the abstraction of ingredients which will change its character, to the extent inconsistent with good commercial practice, is not permitted on bonded wine cellar premises. Specifically authorized materials are listed in § 240.529.

(68A Stat. 616, 668; 26 U. S. C. 5082, 5382)

§ 240.525 *Use of tannin.* When fining agents, such as gelatin and isinglass, which require the presence of a certain amount of tannin in grape wine in order to work effectively, are used for clarification of grape wine, and the wine to be clarified does not contain sufficient tannin to permit the fining agents to precipitate completely, a small amount of tannin may be added to the grape wine for the purpose of assisting the fining agents. Tannin may also be added to grape wine after clarification to the extent necessary to raise the tannin content of the wine to that normally contained therein: *Provided,* That white wines in which tannin is used shall not contain more than 0.08 gram of tannin per 100 ml. after clarification, and red grape wine in which tannin is used shall not contain more than 0.3 gram of tannin per 100 ml. after clarification, unless the assistant regional commissioner authorizes a higher tannin content, pursuant to a showing of necessity therefor. Only tannin of a yellowish white or very light brown color, which does not color the wine, may be used in the cellar treatment of wine. The records required by § 240.918 will be kept covering the use of tannin.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.526 *Stabilizing grape wine.* Grape wine, regardless of acid content, may be stabilized, as a part of the finishing process, by the addition of not more than two pounds of citric acid for each 1,000 gallons of wine. The record required by § 240.917 must be maintained covering the use of citric acid.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.527 *Removal of excessive color in white wine.* If color in excess of that normally contained in white wine develops during its production or storage and the proprietor desires to remove such excess color, he will prepare samples representing the wine before and after treatment with activated carbon or other materials and submit such samples, with a sample of the activated carbon or other material used, to the assistant regional commissioner for examination. There will be submitted with the samples a written statement, in duplicate, setting forth (a) the reasons for desiring to so treat the wine, (b) the quantity, kind, and type of wine to be treated, (c) the kind and quantity of material to be used, and (d) the process to be employed. If the chemical analysis of the samples shows that the proposed treatment will remove only the excess color and will not remove any of the usual natural color or other characteristics of the wine, the assistant regional commissioner will authorize the treatment of the wine in question. If the chemical analysis shows that the proposed treatment will remove the natural characteristics of the wine, the assistant regional commissioner will disapprove the application. A separate application with representative samples must be submitted for each lot of wine it is desired to treat.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.528 *Filter aids.* Inert fibers, pulps, earths, or similar materials, may be used as filter aids in the cellar treatment and finishing of wine. There is no limitation on the use of such inert materials, and no records need be maintained concerning their use. Filter aids which contain active chemical ingredients, or which have been so treated that they may alter the character of the wine, may be used only after compliance with the provisions of § 240.530.

(68 Stat. 668; 26 U. S. C. 5382)

§ 240.529 *Materials authorized for treatment of wine.* The following materials are approved, as being consistent with good commercial practice, for use by proprietors of bonded wine cellars in the production, cellar treatment, or finishing of wine, within the general limitations of § 240.524, or the specific limitations shown in the table, or given in the sections referred to:

Materials	Use	Reference or limitation
Activated carbon	To assist precipitation during fermentation.	§§ 240.361, 240.366, 240.401, 240.405.
	To clarify and purify wine	§ 240.524.
	To remove excess color in white wine.	§ 240.527.
Bentonite (Wyoming clay)	To clarify wine	§ 240.524.
Calcium sulphate (gypsum)	Production of Spanish type or Flor sherry wine.	§ 240.385.
Carbon	To clarify and purify wine	§ 240.524.
Casein	To clarify wine	§ 240.524.
Citric acid	To increase the acidity of wine	§§ 240.364, 240.404.
	To stabilize grape wine	§ 240.526.
Eggs (albumen or yolks)	To clarify wine	§ 240.524.
Gelatin	To clarify wine	§ 240.524.
Gypsum. (*See* calcium sulphate.)		
Isinglass	To clarify wine	§ 240.524.
Malic acid	To increase acidity of wine	§§ 240.364, 240.404.
Nitrogen gas	To maintain pressure during filtering and bottling of sparkling wine. To prevent oxidation of wine.	May not be contained in sparkling or still wine.
Oxygen	In baking sherry wine	May be used provided it does not cause changes in the wine other than those occurring during the usual storage in wooden cooperage over a period of time. Application must be filed.
Phosphates	To start secondary fermentation n manufacturing champagne and sparkling wines.	Small quantity only may be used. (The use of ammonium phosphate, ammonium sulphate or potassium acid phosphate as yeast food in the production of still wine is not permitted.)
Potassium metabisulphite	Sterilizing and preserving wine	§ 240.523.
Sodium caseinate	To clarify wine	§ 240.524.
Sodium metabisulphite	Sterilizing and preserving wine	§ 240.523.
Sulphur dioxide	Sterilizing and preserving wine	§ 240.523.
Sulphuric acid	To effect a favorable yeast development in distilling material.	§ 240.486.
Tannin	Clarifying grape wine	§ 240.525.
Tartaric acid	To increase acidity of grape wine	§ 240.364.
Urea	To facilitate fermentation of wine	§§ 240.361, 240.366, 240.401, 240.405. Not more than 2 pounds per 1,000 gallons of wine.

(68A Stat. 668; 26 U. S. C. 5382)

§ 240.530 *Notice.* If the proprietor desires to use materials or methods not specifically authorized in § 240.529 or elsewhere in this part, he must file notice, in triplicate, with the assistant regional commissioner. The notice will show the name and description of the material or method, the purpose, the manner and the extent to which it is to be used, together with any pertinent information in regard to the material or method. A sample of the material, if any, will be forwarded with the notice. There may be forwarded with the notice any data or written statements tending to show that the proposed use of the material or method is a cellar treatment consistent with good commercial practice. The assistant regional commissioner will forward the notice to the Director, Alcohol and Tobacco Tax Division for a decision regarding the use of the method or material. The proprietor should not use the proposed method or material until receipt of advice that the Director, Alcohol and Tobacco Tax Division has found its use not to be contrary to the provisions of this part.

(68A Stat. 668; 26 U. S. C. 5382)

SUBPART Y—TAXFREE PRODUCTION

PRODUCTION FOR FAMILY USE

§ 240.540 *Registered producer.* A duly registered head of any family may produce annually for family use, and not for sale, not in excess of 200 gallons of wine without payment of tax. This exemption does not authorize the production of wine for such use contrary to state law.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.541 *Limitations of exemption.* The statutory exemption does not apply to (a) wine made by one person for use of another, whether consumed on the premises or removed therefrom for the family use of the owner; (b) wine produced by a single person unless he is the head of a family; (c) wine produced by a married man living apart from his family; (d) wine made by a partnership or produced at a wine cellar by two or more heads of families jointly; (e) wine produced by a corporation or association; or (f) wine furnished to persons not members of the producer's family.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.542 *Registration, Form 1541.* Every person (other than the operator of a bonded wine cellar) coming within the exemption and desiring to produce wine for the exclusive use of his family, must prepare Form 1541, registration for production of wine for family use without payment of tax, in duplicate, and send both copies to the assistant regional commissioner of the region in which he resides. Both copies of the form must be sent to the assistant regional commissioner at least five days before commencing production of the wine. The assistant regional commissioner will return one copy of Form 1541, stamped with the date of receipt, to the registrant. Upon production of the wine, the registrant will enter the quantity produced and the date of production on the copy of the form returned to him by the assistant regional commissioner. Such form will be retained at the place of production. A new form must be submitted each succeeding year during which it is desired to produce wine for family use, the year to be reckoned as commencing on July 1 and ending on June 30 following.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.543 *Removal of wine.* Wine made for family use may not be removed from the premises where made without authority of the assistant regional commissioner.

(68A Stat. 610; 26 U. S. C. 5042)

CIDER

§ 240.544 *General.* The noneffervescent product of normal alcoholic fermentation of apple juice only, without the use of any preservative methods or materials, when produced at a place other than a bonded wine cellar and sold or offered for sale as cider, and not as wine or as a substitute for wine, shall not be subject to tax as wine, nor to the provisions of this part.

(68A Stat. 610; 26 U. S. C. 5042)

EXPERIMENTAL WINE

§ 240.545 *General.* Any university, college of learning, or institution of scientific research may produce, receive, blend, treat, and store wine, without payment of tax, for experimental or research use, but not for consumption (other than organoleptic tests) or sale, and may receive such wine spirits without payment of tax, as may be necessary for use in the production of such wine. No bond will be required on account of such experimental wine operations, nor for the withdrawal of wine spirits for use in experimental operations.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.546 *Application.* Each institution desiring to conduct experimental wine operations shall submit an application in letter form in triplicate to the assistant regional commissioner. The application shall include the name and address of the institution, the portion of the premises to be used in experimental wine operations, the security to be afforded the wine on hand, and the nature and extent of the operations to be conducted. If wine spirits are to be used that fact shall be stated together with the estimated annual requirements in proof gallons. A secure place of storage under lock shall be provided for the wine spirits and shall be described in the application.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.547 *Commencement of operations.* If the assistant regional commissioner approves the application, he will note that fact on all copies of the letter and return one copy to the institution. Upon receipt of the approved letter of application, the experimental wine operations may be commenced. The returned copy will be retained in the files of the institution and will be exhibited on request to internal revenue officers.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.548 *Procurement of wine spirits.* Where the approved application provides for the use of wine spirits in experimental wine operations, wine spirits may be procured to the extent allowed by the approved application, upon filing of Form 257, appropriately modified, with the assistant regional commissioner.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.549 *Records.* No reports concerning wine or wine spirits need be filed by institutions engaging in experimental wine operations but records appropriate to the experiments to be conducted will be made and retained available for inspection by internal revenue officers. If wine spirits are used, the records shall show the quantities of wine spirits received and used each day.

(68A Stat. 610; 26 U. S. C. 5042)

§ 240.550 *Discontinuance of experimental wine operations.* When an institution discontinues experimental wine operations, all wine and wine spirits must be disposed of either by their destruction or shipment to premises authorized to receive them. Authorization for such destruction or shipment must be obtained from the assistant regional commissioner prior to destruction or shipment. When such authorized disposition of wine and wine spirits has been completed a letter of notification will be sent to the assistant regional commissioner.

(68A Stat. 610; 26 U. S. C. 5042)

SUBPART Z—CONTAINERS FOR REMOVAL OF WINE

§ 240.560 *Kinds of containers.* Wine may be removed from a bonded wine cellar in casks, barrels, kegs, tanks, tank trucks, railroad tank cars, tank ships, barges, deep tanks of vessels, in cases (when bottled) of any desired size, in uncased demijohns (or bottles) of two gallons or more capacity, and by pipeline, under the limitations in this part. Movement of wine between noncontiguous portions of a bonded wine cellar is not considered a removal of wine.

§ 240.561 *Serial numbers.* All containers used for removing wine from bonded wine cellar premises will be marked with a serial number, commencing with "1" and continuing in order until the number 1,000,000 is reached, when the series may start again with "1". If desired, separate series of numbers preceded by identifying letters may be used for bulk containers and for cases, or for cases filled on different bottling lines. The serial numbers will be placed on the containers at the time of preparing wine for removal from the premises and will be shown on the removal records. Where the method of operation of the bonded wine cellar makes it impracticable to mark the serial numbers on cases of wine at the time of removal, the assistant regional commissioner may, upon written application showing the necessity therefor, authorize the marking of serial numbers on cases of wine at the time of filling the cases: *Provided,* That where cases are so marked, the proprietor must keep Form 2060 covering the filling and serial numbering of the cases. Where the assistant regional commissioner has approved the numbering of cases at the time of filling, and Form 2060 is maintained, the serial numbers of cases need not be shown on the record of tax-paid removals.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.562 *Marks.* Each cask, barrel, keg, tank, tank truck, railroad tank car, or case, or other approved container, used to remove wine must be marked in a plain and durable manner with the serial number, the name of the proprietor and the registry number and location (by city or town and state) of the wine cellar, the kind (class and type), and the alcohol content of the wine, the contents of the container in wine gallons, and, except for cases, the date of removal or shipment. The kind of wine shall be stated in accordance with Part 4, Title 27 of the Code of Federal Regulations. The formula number shall be marked on bulk containers of special natural wine. When wine is packed or bottled under an authorized trade name other than that under which the bonded wine cellar is operated, such trade name may be marked on the shipping container as the name of the proprietor as authorized in § 240.192. These marks may be cut, printed, or otherwise legibly and durably marked upon the container, or placed upon a label or tag securely affixed to the container. The marks shall be placed upon the head of the package, or the side of the case, or on the prescribed route board attached to the tank truck, tank car, tank ship, barge, or deep tank of a vessel, where they may be readily examined by internal revenue officers.

(68A Stat. 666, 672, 695; 26 U. S. C. 5368, 5388, 5662)

§ 240.563 *Labels and tags.* Labels and tags must be of good quality heavy paper or tag board, and of appropriate size, and the letters and figures thereon must be durable and legible. The label or tag must be affixed with a good adhesive; in the case of wooden containers, with tacks or staples: *Provided,* That where the labels or tags are affixed with a glue impervious to heat or moisture, tacks or staples need not be used.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.564 *Other marks.* The head of the package, or the side of the case, bearing the prescribed marks shall be known as the "Government Head," and "Government Side," respectively, and shall contain no other marks except those authorized or required by Federal law or regulations: *Provided,* That the name and address of the consignee, brand name, number and size of bottles in cases, bottle label, and other related data, including identifying marks such as lot numbers, which do not conflict with or detract from the prescribed marks, may be shown on the Government head or side of the container.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.565 *Destruction of marks.* All marks and labels or tags required by this part to be placed on casks, barrels, kegs, tanks, tank trucks, railroad tank cars, tank ships, barges and deep tanks of vessels used as shipping containers of wine, shall be destroyed by scraping or otherwise obliterated, immediately the containers are emptied by the person removing the wine therefrom: *Provided,* That when such packages of wine are emptied and are returned to the proprietor for reuse (refilling), the proprietor's name, address and registry number need not be obliterated, but all other prescribed marks on the packages must be completely destroyed by scraping or otherwise obliterated.

§ 240.566 *Alcohol content.* A statement of the alcohol content of wine in the manner prescribed in Part 4, Title 27, of the Code of Federal Regulations, meets the requirements of § 240.562, except that the alcohol content must be stated in all cases and must show definitely the taxable grade of the wine. Wine may not be marked or labeled as containing 14 percent, 21 percent, or 24 percent alcohol if it contains more than such percentages of alcohol, nor may wine be marked or labeled as containing 13–15 percent, 20–22 percent, or 23–25 percent alcohol.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.567 *Fractional parts of gallons.* The wine gallon content of tank cars, tank trucks, tank ships, barges, or deep tanks of vessels, will be marked on the containers in whole gallons. The wine gallon content of casks, barrels, kegs, cases, or demijohns, will be marked on the containers in gallons and tenths of gallons. Where markings are in whole gallons, fractions of a gallon will be converted to the nearest gallon, and five-tenths gallon will be converted to the next full gallon. Similarly, where markings are in tenths of gallons, fractions less than one-tenth will be converted to the nearest one-tenth gallon, and five-hundredth gallon will be converted to the next full one-tenth gallon. Contents of bottles will be stated on the bottle labels in the manner prescribed by Part 4, Title 27, of the Code of Federal Regulations.

(68A Stat. 609, 666; 26 U. S. C. 5041, 5368)

§ 240.568 *Route board on tank trucks and tank cars.* Tank trucks and railroad tank cars used for the transportation of wine, whether in bond, tax-free, or taxpaid, must be equipped with a route board at least 10 x 12 inches in size, to which the prescribed marks or labels can be affixed. Such board shall be of substantial material and shall be attached securely to the truck or car. The route board shall be placed on the tank truck or railroad tank car in a conspicuous and accessible place so as to permit ready inspection by internal revenue officers and destruction of the marks or labels by the person emptying the truck or car.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.569 *Single compartment trucks and cars.* When wine is removed in single compartment tank trucks or railroad tank cars the entire contents of the tank truck or tank car must be consigned to the same consignee and destination.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.570 *Multiple compartment trucks and cars.* When wine is shipped in multiple compartment tank trucks or railroad tank cars, the contents may be consigned by compartments to different consignees and destinations: *Provided,* That each compartment is given a separate serial number and separate marks, and a separate route board is attached to the truck or car for each compartment. Where the entire contents of a multiple compartment tank truck or tank car consists of the same kind of wine consigned to the same consignee at the same destination, one serial number and one set of marks will be given to the entire truck or car.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.571 *Tank ships, barges, and deep tanks of vessels.* Tank ships, barges, and deep tanks of vessels, used for the transportation of wine, whether in bond, tax-free, or taxpaid, must be equipped with route boards similar in construction to those prescribed in § 240.568. Such route board must be affixed to each compartment (if any) of such tank ship, barge, or deep tank or tanks of a vessel. The compartments of tank ships, barges, or deep tanks of vessels shall be marked in the manner provided in § 240.562, insofar as applicable, and in addition shall bear the marks prescribed in § 240.611 where the wine is transferred in bond. The required marks must be destroyed or otherwise obliterated immediately the compartment is emptied. Such in-bond shipments may be made only where the premises of both the consignee and consignor are equipped with suitable facilities, and where the wine is run directly from the storage tanks on the consignor premises into the tank ship, barge, or deep tank of a vessel, and directly from the tank ship, barge, or deep tank of a vessel into storage tanks on the consignee's premises. The provisions of §§ 240.569 and 240.570 concerning the consigning of wine by compartments of tank trucks or tank cars to more than one consignee will govern the consigning of wine in bond in tank ships, barges, or deep tanks of vessels.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.572 *Application for authority to use tank ships, barges and deep tanks of vessels.* A proprietor desiring to transfer wine in tank ships, barges, and deep tanks of vessels, shall make application therefor, in duplicate, to the assistant regional commissioner. The application may cover a specific lot of wine, or be for continuing authority. Where shipment is to be made to more than one consignee or premises, separate application must be submitted for each such premises. The application must state:

(a) The name and address of the consignee;

(b) The name, serial number, registry number, or other identifying symbol or mark, of each tank ship, barge, or vessel to be used;

(c) The name and address of the carrier;

(d) The course or route to be followed from consignor to consignee premises; and

(e) Whether the premises of both the consignor and consignee are equipped with suitable dock facilities and the wine is to be run directly from storage tanks on the consignor premises into the tank ship, barge, or deep tank or tanks of a vessel and directly from the tank ship, barge, or deep tank or tanks of a vessel into storage tanks on the consignee's premises.

§ 240.573 *Sealing of tanks.* Where wine is transferred in bond in tank ships, barges, and deep tanks of vessels, the manhole covers, outlet valves, and all other openings of the tanks containing the wine shall be equipped with facilities for sealing so that the contents cannot be removed without showing evidence of tampering. Serially numbered seals, dissimilar in marking from cap seals used by the Internal Revenue Service, shall be furnished and affixed by the carrier or proprietor. The serial numbers of the seals used on each shipment shall be reported by the consignor on the Form 703 prepared in accordance with § 240.613.

§ 240.574 *Reused barrels.* Barrels previously used for the storage of distilled spirits may be used by proprietors as storage and shipping containers for wine, provided the barrels are treated to remove distilled spirits from the heads and staves before deposit of wine therein. The spirits extracted from the barrels must be destroyed in each instance. This authorization to use such barrels should not be construed as relieving proprietors from tax liability in event the barrels are not treated to remove distilled spirits therefrom. A person mixing distilled spirits with wine incurs rectification tax liability of 30 cents per proof gallon, and additional wine tax liability if the mixing changes the taxable grade of the wine.

(68A Stat. 616; 26 U. S. C. 5082)

§ 240.575 *Remarking containers received from other premises.* When it is desired to remove for a taxable purpose containers of wine received in bond from other premises, the marks of the premises from which received may be obliterated and replaced with the marks of the taxpaying premises, or the original marks may be allowed to remain in lieu of the marks of the taxpaying premises if the word "Taxpaid," followed by registry number and State of the taxpaying premises, is placed on the same side of the container as the original marks. When containers of wine received in bond are reshipped in bond, the marks of the premises from which received must be canceled or obliterated.

§ 240.576 *Pipeline to or from tank cars or ships.* A pipeline may be used to convey wine from a bonded wine cellar to ships or railroad tank cars or from such conveyances to a bonded wine cellar. The premises of the bonded wine cellar need not be extended to include the entire pipeline. The pipeline may be under ground.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.577 *Shipments by tank car to and from premises without railroad siding facilities.* If shipment is made in a railroad tank car and the premises of the consignor or consignee, or both, are not equipped with railroad siding facilities, each tank truck or package in which the wine is conveyed to or from the railroad tank car must have affixed thereto a tag giving the name, registry number and address of the consignor, the kind and quantity of wine contained in the tank truck or package, the symbols and number of the railroad tank car to or from which the wine is being transported, whether the wine is taxpaid or shipped in bond, and the name and address of the consignee. The shipping proprietor shall also maintain at the premises a memorandum of all removals from the wine cellar by tank truck to tank cars on the noncontiguous railroad siding. Entry will be made at the time the tank truck is filled; the record shall show the tank car serial number. Remnants returned will be credited to the record so that there will be available to inspecting officers a record covering any wine lost enroute between the wine cellar and a tank car on a noncontiguous railroad siding. Proprietors making shipments to noncontiguous railroad sidings, or receiving from such sidings, shall file a consent of surety on Form 1533 extending the terms of the wine cellar bond, Form 700, to cover the transfer of wine from the bonded wine cellar to and from tank cars on noncontiguous railroad sidings while such cars are being loaded and until all wine is properly laden into the tank cars or returned to the bonded wine cellar premises.

§ 240.578 *Contents of packages and bottles.* Proprietors of bonded wine cellars will be held strictly responsible for the correct determination of the quantity and alcohol content of wine removed. As required by § 240.173, appropriate and accurate measures and instruments for measuring and testing the wine must be provided at each wine cellar. Bottles must be filled as nearly as possible to conform to the amount shown on the label or blown in the bottle to be contained therein, but in no event may the amount of wine contained in any bottle, due to lack of uniformity of the bottles, vary more than two percent from the amount stated to be contained therein; and further in such case there shall be substantially as many bottles overfilled as there are bottles underfilled for each lot of wine bottled.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.579 *Labeling bottled wine.* When wine is bottled the bottler shall securely affix to each bottle a label showing:

(a) The name and address of the premises, or the name, registry number, and state where the premises are located;

(b) Kind of wine (class and type);

(c) The alcohol content by volume; and

(d) The net contents of the bottle, unless legibly blown in the bottle.

The alcohol content may be stated and the kind shall be stated in accordance with Part 4, Title 27, of the Code of Federal Regulations. When wine is bottled under an authorized trade name, such trade name may be stated as the name of the proprietor as provided in § 240.562. Where wine is bottled for aging, or other storage purposes, the labels need not be affixed until the wine is to be removed, provided the bins or containers in which the bottled wine is stored are marked to show the kind (class and type) and alcohol content of the wine.

(68A Stat. 666, 695; 26 U. S. C. 5368, 5662)

LABELS AND MARKS SUBJECT TO APPROVAL

§ 240.580 *Certificates of approval or exemption.* All persons bottling or packing wine in a bonded wine cellar are required by Part 4, Title 27 of the Code of Federal Regulations, to obtain a certificate of label approval, Form 1649, or a certificate of exemption from label approval, Form 1650, covering the label for the wine. This requirement is applicable to all wine bottled in containers of one gallon or less, and to all wine packaged in barrels, casks, kegs, or other closed containers, for use for sale at retail. The requirement is equally applicable to wine bottled or packaged before or after taxpayment, and to wine packed in barrels, casks, or other large containers, which are marked by stenciling or otherwise instead of being labeled, as such marks are held to constitute the label.

§ 240.581 *Certificates to be exhibited.* All persons holding certificates of label approval, or certificates of exemption from label approval, are required by Part 4, Title 27 of the Code of Federal Regulations, to exhibit upon request such certificates to an internal revenue officer. The original certificate, or duplicate original certificate, must be exhibited to the officer; photoprints, or other copies, are not acceptable for this purpose.

§ 240.582 *Relabeling bottled wine.* Where it is desired to relabel bottled wine received in bond from other bonded premises, application for permission to relabel the wine must be made to the assistant regional commissioner in accordance with Part 4, Title 27 of the Code of Federal Regulations.

§ 240.583 *Proprietor's responsibility.* Full responsibility rests upon the proprietor of a wine cellar to see that all wine bottled or packed by him is labeled in conformity with Part 4, Title 27, of the Code of Federal Regulations, and with this part.

(68A Stat. 666; 26 U. S. C. 5368)

SUBPART AA—TAXPAYMENT OF WINE

§ 240.590 *Time for determination of tax liability.* The tax on wine is to be determined at the time of removal from the bonded wine cellar premises (or transfer to a taxpaid room on the premises) for consumption or sale. Upon determination, the quantity of wine removed will be entered on the record prescribed by § 240.920.

(68A Stat. 609; 26 U. S. C. 5041)

§ 240.591 *Time for payment of tax.* The tax on wine shall be paid by return, Form 2050, which will be filed with remittance for the full amount of tax due as shown by the return. Form 2050 will be prepared in accordance with § 240.901 and the instructions printed on the form or issued in respect thereto, and shall be filed with the district director of internal revenue before the close of the first day succeeding the day covered by the return: *Provided,* That if the first succeeding day is a Saturday, Sunday or legal holiday, the return shall be considered timely filed if it is filed on the next succeeding day which is not a Saturday, Sunday or legal holiday. "Filed" shall mean delivered to the office of the proper district director of internal revenue and by that office received: *Provided,* That if a return is delivered by United States mail, the postmark (if made by a United States post office) on the cover in which such return is mailed, shall be deemed to be the date of delivery. If the tax on wine removed for a taxable purpose on any day is not more than $10, and there are no adjustments increasing the tax so that the total due is more than $10, Form 2050 will not be prepared covering that day's removals. The tax due will be allowed to accumulate until the total for successive days is more than $10, when Form 2050 will be prepared and filed. Before the close of the first day following the end of each month Form 2050 will be prepared and filed with remittance covering the last day or days of the next preceding month even though the amount of tax due is less than $10. Tax may be prepaid, as provided in § 240.593, but the amount so prepaid must be included in the return, Form 2050.

(68A Stat. 614, 895, 896; 26 U. S. C. 5061, 7502, 7503)

§ 240.592 *Failure to pay tax or file return at the time required.* The law provides penalties for failure to pay tax at the time required, for willful refusal to pay such tax and for fraudulent nonpayment of tax. In addition to such penalties, there is a penalty for the delinquent filing of tax returns imposed as an addition to the tax shown by such returns, amounting to 5 percent for each month or fraction thereof of delinquency, not exceeding 25 percent in the aggregate, unless it is shown that such delinquency is due to reasonable cause and not to willful neglect.

(68A Stat. 695, 699, 821; 26 U. S. C. 5661, 5684, 6651)

§ 240.593 *Prepayment of tax.* Where an approved tax deferral bond, Form 2053, is not on file with the assistant regional commissioner, the proprietor must, prior to removal of wine for a taxable purpose, pay the tax due thereon: *Provided,* That tax need not be prepaid where the amount unpaid at any one time does not exceed $100. Where an approved Form 2053 is on file and the proprietor desires to prepay tax in order to remove for a taxable purpose wine, the tax on which is in an amount in excess of the penal sum stated in such form, such payment must be made before the wine is removed: *Provided,* That tax need not be prepaid where the amount unpaid at any one time does not exceed $100 plus the penal sum of the tax deferral bond, Form 2053. Payment must be made by forwarding or delivering to the district director of internal revenue cash, certified check, cashier's check, Treasurer's check, or money order together with the original and one copy of Form 2052, as provided in § 240.902. For the purpose of complying with this section the term "forwarding" shall mean deposit in the United States mail properly addressed to the district director of internal revenue. Prepayment may be made only in respect to wine on which the tax will be determined on the business day covered by the prepayment.

(68A Stat. 614; 26 U. S. C. 5061)

§ 240.594 *Tax on wine.* The following are the rates of tax on wine:

(a) On still wine containing not more than 14 percent of alcohol by volume, 17 cents per wine gallon;

(b) On still wine containing more than 14 percent and not exceeding 21 percent of alcohol by volume, 67 cents per wine gallon;

(c) On still wine containing more than 21 percent and not exceeding 24 percent of alcohol, $2.25 per wine gallon;

(d) On champagne and other sparkling wine, $3.40 per wine gallon; and

(e) On artificially carbonated wine, $2.40 per wine gallon. Wine containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly. The tax shall be determined and paid on the quantity of wine marked on the containers as provided in §§ 240.562 and 240.567, or (in case of pipeline removals) on the quantity determined as provided in § 240.597.

(68A Stat. 609; 26 U. S. C. 5041)

§ 240.595 *Marking of containers.* All containers of wine removed taxpaid, except cases, will be marked with the word "Taxpaid" in addition to the marks required by § 240.562: *Provided*, That cases must be so marked when required by § 240.575.

(68A Stat. 666; 26 U. S. C. 5368)

REMOVAL FOR TAXPAYMENT BY PIPELINE

§ 240.596 *General.* The assistant regional commissioner may authorize the removal of wine by pipeline for taxpayment from a bonded wine cellar to a taxpaid distilled spirits bottling house, rectifying plant, or taxpaid wine bottling house, contiguous to, or in the immediate vicinity of the wine cellar. Authorization will be given only if the proprietor has installed pipelines and tanks as prescrbed by §§ 240.170 and 240.171.

(68A Stat. 609; 26 U. S. C. 5041)

§ 240.597 *Procedure for determination of tax.* When the proprietor desires to transfer wine to the taxpayment tank, he will make certain that the outlet valve is closed, and open the inlet valve of the taxpayment tank. When the tank is filled, or the desired quantity of wine has been run into the tank, the proprietor will close the inlet valve, accurately determine the quantity of wine in the tank, make entry in his cellar record showing the date, the wine taxpayment tank number; the kind, quantity, and alcohol content of the wine; and the plant to which the wine will be transferred. Immediately the tank has been emptied the proprietor must close the outlet valve. The quantities of wine so removed will be shown in Form 2056 as taxable removals. The quantity of wine removed by pipeline will be recorded to the nearest whole gallon, 5 tenths gallon being converted to the next full gallon.

SUBPART BB—TRANSFER OF WINE IN BOND TO OTHER BONDED WINE CELLARS

§ 240.610 *General.* Wine may be removed for transfer in bond, from one bonded wine cellar to another bonded wine cellar, as provided in this subpart.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.611 *Marking containers.* In addition to the marks required by § 240.562, each container, except cases, of wine transferred in bond from one bonded wine cellar to another shall be plainly marked "Transferred," followed by the registry number and state of the bonded premises to which the wine is shipped. The transfer marks may be abbreviated, as "Trans. BW 100–NY."

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.612 *Transfer of wine by pipeline.* Wine may be transferred in bond between contiguous or adjacent wine cellars by a pipeline constructed and approved as provided in § 240.172, provided one or more accurately calibrated tanks for measuring the wine have been installed in at least one of the bonded wine cellars. The quantity of wine transferred by pipeline will be recorded to the nearest whole gallon, 5 tenths gallon being converted to the next full gallon.

(68A Stat. 665, 680; 26 U. S. C. 5362, 5552)

§ 240.613 *Use of Form 703.* When wine is transferred in bond to other premises the proprietor will prepare Form 703, showing the date of transfer; name, address and registry number of the consignee and of the consignor; the number of cases, packages or tanks; serial numbers; gallons; percentage of alcohol, and kind of wine shipped: *Provided*, That where wine (including distilling material and vinegar stock) is transferred in bond by pipeline to adjacent premises, and commercial records are kept to show details of each such shipment as would appear on a separate Form 703, a monthly Form 703 may be prepared for shipments to each such premises instead of a separate Form 703 for each shipment. The alcohol content of the wine shall be stated on Form 703 as 13 percent, 18 percent, etc., rather than by taxable grade, and the kind of wine shall be stated according to class and type, including vintage and varietal designation if applicable, except in the case of unfinished grape wine, distilling material, or vinegar stock.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.614 *Preparation and handling of Form 703.* Where shipments are made to other premises in the same region, the proprietor will prepare three copies of Form 703 and forward on the date of shipment one copy to the assistant regional commissioner of his region, and two copies to the consignee. Upon receipt of the shipment the consignee will note on both copies of the form any loss in transit or other discrepancy, sign the form, retain one copy, and forward one copy to the assistant regional commissioner before the close of the following business day. When wine is shipped in bond to premises in another region, the consignor will prepare four copies of Form 703, and forward on the date of shipment one copy to the assistant regional commissioner of his region, one copy to the assistant regional commissioner of the region to which the wine is shipped, and two copies to the consignee, who will note on the form any loss in transit or other discrepancy, sign the form, retain one copy, and forward one copy to the assistant regional commissioner of his region.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.615 *Receipt of wine in bond.* When wine is received in bond from other bonded premises, the proprietor of the receiving premises will check the shipment against his copy of Form 703, and will determine by measure or weight the quantity received, and note on his records, as provided in Subpart UU of this part, the quantity actually received, together with the serial numbers, etc.: *Provided*, That packages received without apparent loss need not be measured or weighed. The proprietor shall file his copy of Form 703 at the wine cellar as a permanent record available for inspection by internal revenue officers.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.616 *Losses in transit.* The proprietor of the premises to which the wine is shipped in bond shall be liable under his bond for the tax on the wine lost in transit. The tax on wine lost in transit between bonded wine cellars will be assessed or remitted, in accordance with the provisions of Subpart NN of this part. Where there is a loss in transit from any package or other container, including tank trucks and railroad tank cars, in excess of one percent, or two percent in the case of transcontinental shipments, of the quantity shipped in such container, the consignee shall make application for allowance of the entire quantity lost, in accordance with § 240.785.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.617 *Reconsignment of in-bond shipments of wine.* When wine is shipped in bond, and while in transit a necessity for reconsignment arises, approval for the reconsignment will be obtained from the assistant regional commissioner, as required by §§ 240.618 and 240.619.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.618 *Reconsignment by consignor.* When the consignor desires to reconsign a shipment of wine, he will obtain the approval of the assistant regional commissioner of the consignor region, then prepare new Form 703 and attach thereto a notice of diversion. The substitute consignee is liable for the tax on all losses sustained in shipment, and must file a consent of surety with the assistant regional commissioner of his region, in accordance with § 240.231, extending the terms of his bond to cover such losses.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.619 *Reconsignment by consignee.* When the consignee desires to reconsign a shipment of wine, he will obtain the approval of the assistant regional commissioner of his region, acknowledge receipt of the full amount on Form 703, at which point the reconsignment is a shipment in bond subject to the requirements of §§ 240.613 to 240.616. The substitute consignee is liable for tax on all losses sustained in shipment, and must file a consent of surety with the assistant regional commissioner of his region, in accordance with § 240.231 extending the terms of his bond to cover such losses.

(68A Stat. 665; 26 U. S. C. 5362)

SUBPART CC—REMOVAL OF WINE FOR USE AS DISTILLING MATERIAL

§ 240.630 *General.* Still wine may be removed free of tax, under the provisions of this subpart, to a fruit distillery, a registered distillery, or an industrial alcohol plant for use as distilling material in the production of spirits. Form 703 will be prepared and handled in accordance with §§ 240.613 through 240.616 for all such removals.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.631 *Pipeline to distillery or alcohol plant.* Where a bonded wine cellar and a fruit distillery, registered distillery or industrial alcohol plant are operated on premises adjacent to a bounded wine cellar, wine for use as distilling material may be transferred by fixed pipeline from tanks in the wine cellar to measuring or storage tanks in the distillery or alcohol plant, or in the case of a fruit distillery, where the distillery measuring tanks are authorized to be installed on the wine cellar premises, the pipeline must extend directly to the chargers of the stills, or to sumps for immediate transfer to the chargers.

(68A Stat. 680; 26 U. S. C. 5552)

§ 240.632 *Special natural wine.* Special natural wine may not be removed for use as distilling material at a fruit distillery.

(68A Stat. 640; 26 U. S. C. 5215)

§ 240.633 *Report of removal.* The removal of wine for use as distilling material will be reported on Form 702. If sparkling wine or artificially carbonated wine is to be used as distilling material, it will be returned to still wine, and so reported on Form 702, and the still wine then removed and reported for use as distilling material.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.634 *Marking of containers.* Each container removed, in addition to bearing the marks required by § 240.562, must be plainly marked "For Distilling Material" and show the kind or nature of the material, as standard grape (apple, peach, etc.) wine, or wine lees, raisin wine, etc., in order that the spirits distilled therefrom may be properly marked as to class and type. Where wine made with sugar other than the kinds, or fermented with sugar in excess of the quantities, authorized for standard wine is removed for distilling material, the composition of the material must be marked on the containers, and such wine may be transferred only to registered distilleries or alcohol plants.

(68A Stat. 640, 666; 26 U. S. C. 5215, 5368)

SUBPART DD—REMOVAL OF STILL WINE FOR MANUFACTURE OF VINEGAR

§ 240.650 *General.* Still wine may be removed from bonded wine cellars, free of tax, for use in the manufacture of vinegar in accordance with provisions of this subpart.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.651 *Removal to adjacent vinegar plant.* Where the proprietor of a bonded wine cellar is also the proprietor of a vinegar plant adjacent to his wine cellar, he may remove still wine free of tax for use in the manufacture of vinegar upon filing of consent of surety, Form 1533, extending the terms of his wine cellar bond to cover removal and use of wine in the manufacture of vinegar.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.652 *Consent of surety.* The required consent of surety, Form 1533, shall be filed in triplicate with the assistant regional commissioner. Upon approval of the consent of surety, removals may be made thereunder from time to time. The reporting of such removals on Form 703 shall be in accordance with §§ 240.613 to 240.616.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.653 *Removal to vinegar plant covered by bond, Form 1676.* Where the proprietor of a vinegar plant files bond on Form 1676 covering the tax on wine shipped to his vinegar plant, and keeps records and makes his vinegar plant premises available for inspection as required in this part, wine may be shipped thereto free of tax. Shipments will be reported on Form 703 in accordance with §§ 240.613 to 240.616.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.654 *Removals by pipeline.* Wine may be transferred from the bonded wine cellar to an adjacent vinegar plant by pipeline constructed as required by § 240.172.

(68A Stat. 665, 680; 26 U. S. C. 5362, 5552)

§ 240.655 *Marking containers.* Each container of wine removed for use in the manufacture of vinegar, in addition to bearing the marks required by § 240.562, will be marked "For Manufacture of Vinegar."

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.656 *Receipt of wine at vinegar plants.* Wine received free of tax for the manufacture of vinegar must be deposited promptly in the vinegar plant. The proprietor of the vinegar plant will execute his receipt on both copies of Form 703, noting any losses in transit, and will forward promptly one copy of Form 703 to the assistant regional commissioner of the region in which the vinegar plant is located. In case the wine is transferred by pipeline, as provided in § 240.654, and a single Form 703 prepared to cover all transfers during the month, Form 703 will be forwarded on or before the tenth day of the following month. The remaining copy of Form 703 will be retained as a part of the vinegar plant records. Losses of wine in transit to wine vinegar plants will be reported as required by Subpart NN of this part.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.657 *Vinegar plant records.* Each proprietor of a vinegar plant to which wine is shipped free of tax for use in the manufacture of vinegar shall keep a record of all wine received and used for the manufacture of vinegar, and of all vinegar produced and disposed of. The record shall show the following data:

(a) The quantity and alcohol content of all wine received, the date of receipt, and the name, registry number, and address of the wine cellar from which received;

(b) The quantity and alcohol content of all wine used in the manufacture of vinegar, and the date of use;

(c) The quantity of vinegar produced, and the date of production. (This quantity will be reported on a 100 grain strength basis and will be determined by multiplying the wine gallons of vinegar produced by the grain strength thereof); and

(d) The names and addresses of all persons to whom vinegar is shipped, the quantity and grain strength thereof shipped to each, and the date of shipment.

"Grain strength" is a measure of the acetic acid content of vinegar, expressed as 10 times the grams of acetic acid per 100 ml.

§ 240.658 *Inspection of vinegar plants.* Proprietors of vinegar plants procuring wine free of tax for use in the manufacture of vinegar must make their premises, and the records kept there in accordance with § 240.657, available for inspection by internal revenue officers during regular business hours.

(68A Stat. 903; 26 U. S. C. 7606)

REMOVAL OF SOURED WINE AS VINEGAR

§ 240.659 *General.* Still wine which has acetified and contains not less than four percent of acetic acid by volume may be removed free of tax pursuant to approved application for use as vinegar, as provided in this subpart.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.660 *Application for removal.* The proprietor of a bonded wine cellar desiring to remove still wine which has acetified and contains not less than four percent of acetic acid by volume will make letter application to the assistant regional commissioner for each lot to be removed, showing the quantity and the acetic acid content. If the application is approved, the soured wine may be removed as vinegar.

§ 240.661 *Marking containers.* Where soured wine is removed as vinegar, the containers will be marked as required by § 240.562, except that in lieu of the kind of wine each container will be marked "Wine Vinegar."

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.662 *Records.* Soured wine removed as vinegar will be so recorded and reported on Form 2056 and Form 702.

(68A Stat. 666; 26 U. S. C. 5367)

SUBPART EE—EXPORTATION OF WINE FREE OF TAX

§ 240.670 *General.* Wine may be removed from bonded wine cellars free of tax for exportation in accordance with the provisions of this subpart. If the proprietor desires to remove wine for exportation free of tax, the wine cellar bond must be in a sufficient penal sum to cover liability for all wine so withdrawn and unaccounted for, as well as other bonded wine cellar operations. If a person other than the proprietor of a bonded wine cellar desires to export such wine, the bond required by § 240.223 shall be filed. For the purposes of this part, wine shall be considered exported when it is removed from bonded wine cellar premises pursuant to an approved application, Form 711, consigned to a foreign destination, laden aboard a vessel or conveyance bound for a foreign destination, the vessel or conveyance has cleared a port of the United States for a foreign destination, and a customs officer has certified to such lading and clearance. The shipment of wine to foreign trade zones free of tax shall be in accordance with the procedure prescribed in Part 253 of Title 26, Code of Federal Regulations.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.671 *Application and entry, Form 711.* The exporter will execute and file with the assistant regional commissioner an application and entry on Form 711, in quadruplicate, when he desires to withdraw wine for export. Each application, Form 711, must be serially numbered, commencing with "1" on the first day of January of each year. The exporter shall state therein the name, location, and registry number of the premises, a description of the wine to be withdrawn, and the port and shipping route, with request for customs inspection of the wine. If the exporter has complied with the law and regulations in all respects, the assistant regional commissioner will approve each copy of the application and entry, retain one copy, and return three copies to the exporter. Upon receipt of the approved copies of the application and entry, the exporter may withdraw the wine described therein for exportation free of tax. The proprietor of the bonded wine cellar may not ship the wine until the approved Form 711 has been received from the exporter or the assistant regional commissioner.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.672 *Marking containers.* The containers in which the wine is removed must be plainly marked "For Export," in addition to bearing the marks required by § 240.562.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.673 *Delivery or consignment to collector of customs, wine exported by vessel or aircraft.* The proprietor shall deliver or consign the wine to the collector of customs at the port of export for customs examination, inspection, supervision of lading, and report, as provided in § 240.674. When the shipment arrives at the port of exportation, the exporter or his agent shall file immediately with the collector of customs two copies of the entry, Form 711, one of which will be treated as the customs entry. The other copy of the entry will be retained by the exporter. The entry shall specify the vessel or aircraft by which the wine is to be exported, and the pier at which it will be laden. In every case the entry must be filed with the collector of customs at least six hours prior to lading.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.674 *Customs inspection when exported by vessel or aircraft.* The collector of customs will direct an officer to inspect the wine and determine whether the same agrees in all respects with the description thereof in the entry, Form 711, and to superintend the lading of the wine for exportation. Such officer will carefully examine the contents of any packages which are found broken or tampered with, and will report on both copies of the entry any shortage, and the apparent cause thereof. Upon clearance of the vessel or aircraft, the collector of customs will execute his report and certificate of clearance on each copy of the entry, retain one copy for his entry record, and forward one copy to the assistant regional commissioner.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.675 *Evidence of fraud.* If the customs inspection discloses evidence of fraud, the collector of customs will detain the wine and report the facts forthwith to the assistant regional commissioner within whose region the port of export is located. The assistant regional commissioner will make immediate investigation and take such action as the facts may warrant.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.676 *Delay in lading at port.* If the exporting vessel is not prepared to receive the wine at its arrival at the port of exportation, the collector of customs may permit the wine to remain in the possession of the transportation company for a period not exceeding fifteen days. Storage elsewhere for a like cause not exceeding the same period may be approved by the collector of customs. In event of further delay, the facts will be reported to the assistant regional commissioner who approved the entry, Form 711, and who will issue appropriate instructions concerning the disposition of the wine.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.677 *Bill of lading.* The export bill of lading covering shipment of the wine abroad must identify the wine by showing the name and registry number of the premises from which withdrawn, the serial numbers of the containers, and the quantity of wine. Where the shipment is handled at the port of export by a customs broker acting for the exporter, the broker may be shown as the shipper (consignor) in the export bill of lading. Upon clearance, the exporter will forward a copy of the bill of lading to the assistant regional commissioner of the region in which the bonded wine cellar is located.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.678 *Exportation through frontier port, by railway car, motor truck, or other conveyance.* Where wine is to be shipped by railroad car, motor truck, or other conveyance, through a border port, the wine shall be consigned to the foreign consignee at destination in care of the collector of customs, or deputy collector of customs, at the border port. Two copies of the entry, Form 711, will be forwarded or delivered by the exporter or his agent to the collector or deputy collector at the border port, who will direct one of his officers to inspect the wine upon arrival. If the inspector finds that the wine is intact and corresponds to the entry, the collector or deputy collector will allow the railroad car, motor truck, or other conveyance to proceed to its destination. If there is evidence of loss or the wine does not correspond to the description in the entry, the extent and apparent cause of the loss or other discrepancy will be determined before the car, truck, or other conveyance is allowed to proceed. Upon clearance of the conveyance, the collector or deputy collector will execute his report and certification of clearance on each copy of the entry, retain one copy for his entry record, and forward one copy to the assistant regional commissioner who approved it.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.679 *Exportation in sealed railroad cars or trucks from port of entry through another port.* Where wine is to be exported by rail, or in trucks, through a frontier port, and it is desired to avoid delay of customs inspection at such port, the wine may be entered for exportation at an interior customs port and inspected by a customs officer at that port. After inspecting the wine, the customs officer will seal the car or truck with customs seals and note the car number, or license number of the truck, as the case may be, and the serial number of the customs seals if a numbered seal is used, in his report on both copies of Form 711. The collector of customs will then forward both copies to the customs officer at the frontier port. The wine will be consigned to the foreign consignee in care of the customs officer at the frontier port.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.680 *Inspection at frontier port.* If the customs officer at the frontier port finds upon arrival of the car or truck that the seals are intact and there is no evidence of tampering with the contents, he will allow the car or truck to proceed to its destination without opening. If, however, the customs officer finds that the seals are not intact, or there is other evidence of tampering with the contents, he will open the car or truck, inspect the wine, and make report of his findings and of any loss on Form 711. Upon clearance of the car or truck and contents, the customs officer will execute his certificate of clearance on both copies of Form 711 and return the forms to the collector of customs at the port of entry, who will retain one copy as his entry record, and forward one copy to the assistant regional commissioner who approved it.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.681 *Shipment to American possessions.* Wine may be removed free of tax for shipment to the Panama Canal Zone, Puerto Rico, Virgin Islands, Guam and American Samoa. The provisions of this subpart shall be followed and the forms prescribed shall be used when it is desired to ship wine to these possessions.

(68A Stat. 665, 908; 26 U. S. C. 5362, 7653)

SUBPART FF—WITHDRAWAL OF WINE FREE OF TAX FOR USE ON CERTAIN VESSELS AND AIRCRAFT

§240.690 *Withdrawal free of tax.* Wine may be withdrawn in accordance with the provisions of this section and § 240.691 from bonded wine cellars free of tax for use as supplies on vessels and aircraft as follows:

(a) Vessels or aircraft operated by the United States;

(b) Vessels of the United States employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions;

(c) Aircraft registered in the United States and actually engaged in foreign trade or trade between the United States and any of its possessions;

(d) Vessels of war of any foreign nation;

(e) Foreign vessels employed in the fisheries or in the whaling business, or actually engaged in foreign trade or trade between the United States and any of its possessions, where such trade by foreign vessels is permitted; or

(f) Aircraft registered in any foreign country and actually engaged in foreign trade or trade between the United States and any of its possessions, where trade by foreign aircraft is permitted, and where the Secretary of the Treasury shall have been advised by the Secretary of Commerce that he has found such foreign country allows, or will allow, substantially reciprocal privileges in respect to aircraft registered in the United States.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.691 *Reciprocating foreign countries.* The Director will advise assistant regional commissioners concerning those foreign countries which will allow, to aircraft registered in the United States and engaged in foreign trade, privileges substantially reciprocal to the privileges allowed herein to aircraft of a foreign country. Assistant regional commissioners may approve applications to withdraw wine for use on aircraft of such countries. Where application is made to withdraw wine free of tax for use on aircraft of other foreign countries, which it is claimed reciprocate similar privileges to aircraft of the United States, the applicant must first establish the right of such withdrawal. In appropriate cases, the applicant should request the Secretary of Commerce to find and advise the Secretary of the Treasury that such foreign country or countries allow, or will allow, substantially reciprocal privileges to aircraft of the United States.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.692 *Procedure.* If wine intended for use on vessels or aircraft is to be removed free of tax by the proprietor of a bonded wine cellar, his bond (Form 700) must be in sufficient penal sum to cover the tax on wine so removed and not accounted for, as well as other bonded wine cellar operations. If wine is to be withdrawn by any other person for such use, he must file bond on Form 186 to cover the tax on wine withdrawn and not accounted for, as well as the tax on wine withdrawn for export under the provisions of Subpart EE of this part. The filing and action on the bond will be as provided in Subpart H of this part.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.693 *Application and entry for use on vessels, Form 711-B.* The applicant will execute and file with the assistant regional commissioner application and entry, Form 711-B, in quadruplicate, when he desires to withdraw wine for use on vessels. The applicant shall state therein the name, location, and registry number of the premises, a description of the wine to be withdrawn, the name of the vessel and its location, with request for customs inspection of the wine. If the applicant has complied with the law and regulations in all respects, the assistant regional commissioner will approve each copy of the application and entry, retain one copy, and return three copies to the applicant. Upon receipt of the approved copies of the application and entry, the wine may be withdrawn free of tax for the purpose described in the entry.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.694 *Application and entry for use on aircraft, Form 711-B.* The applicant will execute and file with the assistant regional commissioner application and entry, Form 711-B, in quintuplicate, when he desires to withdraw wine for use on aircraft. The applicant shall state therein the name of the airline operating the aircraft and the name and location of the airport from which the aircraft will depart in international travel, with request for customs inspection of the wine. If the applicant has complied with the law and regulations in all respects, the assistant regional commissioner will approve each copy of the application and entry, retain one copy, and return four copies to the applicant. Upon receipt of the approved copy of the application and entry, the wine may be withdrawn free of tax for shipment to the airline at the airport described in the entry.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.695 *Marking of containers.* The containers in which the wine is removed must be plainly marked "For Use on Vessels (or Aircraft) Tax-free," in addition to bearing the marks required by § 240.562.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.696 *Delivery or consignment of supplies for vessels.* The shipper shall deliver or consign the wine to the collector of customs at the port of lading for customs inspection, supervision of lading, and report, as provided in § 240.698. When the wine arrives at the port of lading, the shipper or his agent shall file immediately with the collector of customs two copies of the entry, Form 711-B, one of which will be treated as the customs entry. The other copy of the entry will be retained by the shipper. The entry shall specify the vessel on which, and the pier at which, the wine will be laden. In every case the entry must be filed with the collector of customs at least six hours prior to lading.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.697 *Delivery or consignment of supplies for aircraft.* The shipper shall deliver or consign the wine to the airline at the airport from which the aircraft will depart in international travel, in care of the collector of customs. Upon receipt of the wine it will be stored at the airport under customs custody until laden as supplies on aircraft. The shipper or his agent shall file immediately with the collector of customs two copies of the entry, Form 711-B, one of which will be treated as the customs entry. The remaining copy of Form 711-B will be forwarded to the airline company at the airport.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.698 *Customs inspection of wine laden on vessels.* The collector of customs will direct an officer to inspect the wine and determine whether the same agrees in all respects with the description thereof in the entry, Form 711-B, and to superintend the lading of the wine on board the vessel specified in the entry. Such officer will carefully examine the contents of any packages which are found broken or tampered with, and will report on both copies of the entry any shortage and the apparent cause thereof. Upon lading of the wine the collector of customs will execute his report and certificate of lading on each copy of the entry, retain one copy for his record, and forward one copy to the assistant regional commissioner who approved it. In event the customs inspection discloses evidence of fraud or there is delay in lading, the collector of customs will proceed in accordance with §§ 240.675 and 240.676, respectively.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.699 *Wine for use as supplies on aircraft.* When an airline desires to withdraw wine from its stock being held at the airport under customs custody, as supplies for a particular aircraft, a requisition in triplicate will be prepared for presentation to the customs officer. The requisition shall show the flight number, the registry number of the aircraft on which the wine is to be laden, the date of departure of the aircraft, and the brand, kind, and quantity of wine. Where the wine is contained in kits which have been previously prepared while the wine is under customs custody, the kit number will also be shown on the requisition. Where the kits are not prepared and the wine is withdrawn for direct lading on aircraft, the requisitions shall be serially numbered in lieu of the insertion of the kit number. When the wine is withdrawn and laden aboard the aircraft, the lading will be verified by the customs officer by an appropriate stamp or notation on the requisition. One copy of the requisition will be retained by the customs officer who certifies to the lading for attachment to the outgoing manifest. The other two copies will be delivered to the airline which will retain both copies until the return of the flight. In case any wine is removed from the aircraft upon its return, appropriate notation will be made on both copies of the requisition retained by the airline and one copy will be delivered to the customs officer for attachment to the incoming manifest. The remaining copy will be retained by the airline.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.700 *Certificate of use for wine used as supplies on aircraft.* When all wine represented by any Form 711-B has been withdrawn from customs custody, and laden and used as supplies on aircraft, the airline will prepare a certificate of use on which are itemized all requisitions for such wine. The certificate shall show the name of the exporter, the entry number, the brand and kind of wine, and the number of bottles to be accounted for; and, as to each requisition, the requisition (or kit) number, the date laden, the registry number of the aircraft, the country for which the aircraft was cleared, and the number of bottles used. The certificate shall be in substantially the following form:

Name of exporter ---------- Entry No. ----------
Brand and kind of wine ------- Number of bottles to be accounted for ---

No. of requisition (or kit No.)	Date laden	Registry No. of aircraft	Cleared for (country)	Number of bottles used [1]

[1] The number of bottles shown in this column will represent the difference between the number withdrawn for supplies and the number returned unused as shown by the requisition.

CERTIFICATE OF USE

I hereby certify that the above described wine was withdrawn from stock in customs custody and was laden for use as supplies on aircraft as set forth and that the records of the aircraft show such wine was used outside the continental limits of the United States as supplies on aircraft operated by this company in international travel.

Airline Company

By -----------------------

Capacity

When the form has been completed as to all wine laden and used as supplies, the certificates of use will be executed by the authorized representatives of the airline. The form will be presented to the customs officer at the airport who will verify the form and execute the certificate of inspection and lading on Form 711-B, noting thereon exceptions, if any, such as shortages, breakage, etc. The customs officer will forward both copies of Form 711-B, with the certificate of use attached to the original, to the collector of customs.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.701 *Certificate of receipt of wine for use on vessels.* The shipper shall procure a receipt signed by the master or other authorized officer of the vessel or of the steamship company, in the case of withdrawals for use on vessels, certifying to the receipt of the wine and giving the serial numbers of the containers, and the quantity received. The shipper shall file the receipt with the assistant regional commissioner.

(68A Stat. 665; 26 U. S. C. 5362)

SUBPART GG—TRANSFER OF WINE TO CUSTOMS MANUFACTURING BONDED WAREHOUSE

§ 240.710 *General.* Wine may be removed from bonded wine cellars to customs manufacturing bonded warehouses, Class 6, without payment of tax for use in the manufacture of articles for export, or for rectification and export, or shipment in bond to Puerto Rico. Removal will be made pursuant to application and bond filed by the proprietor of the customs manufacturing bonded warehouse, and approved by the assistant regional commissioner, in accordance with the provisions of this part.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.711 *Application and entry, Form 711-A.* After having given the required bond, as provided in § 240.224 the proprietor of the customs manufacturing bonded warehouse will execute and file with the assistant regional commissioner of the region in which the bonded wine cellar is located six copies of the application and entry, Form 711-A, when he desires to withdraw wine for transfer to his warehouse. The proprietor shall state therein whether he has on file valid bond, Form 1580, in sufficient sum, the name, location, registry number of the bonded wine cellar, and a description of the wine to be withdrawn. If the applicant has complied with the law and regulations in all respects, and the available balance of his bond is sufficient to cover the tax on the wine to be withdrawn, the assistant regional commissioner will approve each copy of the application and entry, retain one copy, return four copies to the applicant, and forward one copy to the proprietor of the bonded wine cellar as his authority to ship the wine described therein to the customs manufacturing bonded warehouse without payment of tax.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.712 *Marking containers.* In addition to the marks required by § 240.562, each container removed shall be plainly marked "For Deposit in Bonded Manufacturing Warehouse, Class 6," followed by the name and location (city or town, and state) of the warehouse, and the date of shipment.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.713 *Consignment of wine.* The wine must be consigned to the proprietor of the customs manufacturing bonded warehouse in care of the collector of customs of the district in which the warehouse is located. Upon shipment of the wine the proprietor of the bonded wine cellar shall immediately notify the proprietor of the customs manufacturing warehouse, who shall deliver, or forward immediately to the collector of customs his four copies of the entry, Form 711-A.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.714 *Customs inspection.* The collector of customs will direct the proper officer to inspect and gauge, by volume or by weight, the wine upon its arrival at the warehouse, and supervise its deposit therein. When the wine has been inspected, gauged and deposited in the warehouse, the customs officer will execute his certificate on each copy of Form 711-A, and note thereon any loss or other deficiency on the shipment. The officer will retain one copy of the form for his files, deliver one copy to the proprietor of the customs manufacturing bonded warehouse, and forward one copy to the collector of customs for his entry record, and one copy to the assistant regional commissioner who approved it.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.715 *Evidence of fraud.* If the customs inspection discloses evidence of fraud, the collector of customs will detain the wine and report the facts forthwith to the assistant regional commissioner within whose region the customs manufacturing warehouse is located. The assistant regional commissioner will make immediate investigation and take such action as the facts may warrant.

(68A Stat. 665; 26 U. S. C. 5362)

SUBPART HH—REMOVAL OF WINE FOR FEDERAL OR STATE USE

§ 240.720 *General.* Wine may be removed from bonded wine cellars free of tax for use of the Government of the United States or any agency thereof upon receipt of proper governmental order signed by the officer in charge of the department, institution, station, or similar establishment, to which the wine is to be shipped, or other officer duly authorized to sign such order. Wine may also be removed for use by the governments of the several states and Territories and the District of Columbia, or of any subdivision thereof or by any agency of such governments, free of tax, from bonded wine cellars for analysis, testing, research or experimentation, as provided in §§ 240.723 to 240.726.

(68A Stat. 665; 26 U. S. C. 5362)

USE OF THE UNITED STATES

§ 240.721 *Marking containers.* In addition to bearing the marks required by § 240.562, each container in which the wine is removed must be plainly marked "For Use of the United States."

(68A Stat. 665, 666; 26 U. S. C. 5362, 5368)

§ 240.722 *Bill of lading and report of shipment.* Where the wine is shipped by common carrier, the proprietor shall forward a copy of the bill of lading, covering the shipment, with his monthly report on Form 702 for the month in which the shipment is made. The bill of lading must show the name and address of the United States governmental agency to which the wine is shipped, together with the serial numbers of the packages and the quantity and alcohol content of the wine. The governmental order, or copy thereof, must be filed at the wine cellar available for inspection by internal revenue officers.

(68A Stat. 666; 26 U. S. C. 5367)

USE OF STATES, TERRITORIES, AND DISTRICT OF COLUMBIA

§ 240.723 *Application.* Where it is desired to obtain wine for use of States, Territories or the District of Columbia, letter application, in triplicate, shall be filed with the assistant regional commissioner of the region in which the bonded wine cellar is located, by the governmental agency, listing the name, address, and registry number of the wine cellar; the kind, quantity and alcohol content of the wine desired; and the purpose for which the wine is to be used.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.724 *Approval of application.* If the application is approved, the assistant regional commissioner will forward one copy to the bonded wine cellar as authority to make shipment, and return one copy to the applicant.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.725 *Marking containers.* In addition to bearing the marks required by § 240.562, each container in which the wine is removed must be plainly marked "For Use Of," followed by the name of the government subdivision or agency receiving same.

(68A Stat. 665, 666; 26 U. S. C. 5362, 5368)

§ 240.726 *Bill of lading and report of shipment.* Where the wine is shipped by common carrier the proprietor shall forward a copy of the bill of lading, covering the shipment, with his monthly report on Form 702. Report of the shipment will be made by the proprietor in one of the blank lines of the form modified for that purpose. The bill of lading must show the name and address of the governmental agency to which the wine is shipped, together with the serial numbers of the containers, and the quantity and alcohol content of the wine. The copy of the approved application must be filed at the bonded wine cellar available for inspection by internal revenue officers.

(68A Stat. 665, 666; 26 U. S. C. 5362, 5367)

SUBPART II—OTHER TAX-FREE REMOVALS

§ 240.730 *Removal for family use.* Where the head of a family, as defined in § 240.541, operates a bonded wine cellar as an individual owner, wine of his own production, not exceeding 200 gallons per year, may be removed free of tax for use of his family, the year to be reckoned as commencing on July 1. The proprietor must make entries of quantities so removed in his monthly report, Form 702. Wine in excess of the 200 gallons allowance removed from the wine cellar for family use must be reported as a taxable removal.

(68A Stat. 610; 26 U. S. C. 5042)

REMOVAL OF WINE FOR EXPERIMENTAL OR RESEARCH PURPOSES

§ 240.731 *Application.* If a university, college of learning, or institution of scientific research, desires to procure wine from a bonded wine cellar free of tax for experimental or research purposes, the institution shall file an application, in triplicate, in letter form, with the assistant regional commissioner of the region in which the bonded wine cellar is located. The application shall show the name and address of the institution desiring to receive the wine for experimental or research purposes, the kind, quantity, and alcohol content of wine desired, and the nature of the experiments or research to be conducted. The application shall include a stipulation to the effect that the institution withdrawing the wine will be responsible for the tax on the wine if it should be diverted from the intended purpose, either while in transit from the bonded wine cellar to the institution or after receipt.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.732 *Shipment of wine.* If the application is approved, the assistant regional commissioner will forward one copy to the bonded wine cellar as authority for shipment of the wine and will return one copy to the institution filing the application, where it shall be kept available for inspection by internal revenue officers. If the shipment is made by common carrier, the proprietor will attach a copy of the bill of lading, covering the shipment, to his monthly report, Form 702. The shipment will be reported on Form 702 at a blank line appropriately identified to show the purpose of the removal.

(68A Stat. 665, 666; 26 U. S. C. 5362, 5367)

SUBPART JJ—TAX-FREE SAMPLES OF WINE

§ 240.740 *General.* Wine may be removed free of tax from a bonded wine cellar for use by or for the account of the proprietor or his agents, for analysis or testing, organoleptically or otherwise. Wine may also be used on bonded wine cellar premises for testing, tasting, or sampling, free of tax.

(68A Stat. 665, 667; 26 U. S. C. 5362, 5372)

SAMPLES FOR USE OFF BONDED WINE CELLAR PREMISES

§ 240.741 *Application.* A proprietor desiring to remove samples of wine for analysis or testing by a laboratory shall make application, in duplicate, to the assistant regional commissioner. The application may be for the taking of samples from a specified lot or lots of wine, or it may be for continuing authority. The size of each sample should be limited to one quart from each lot to be analyzed or tested, unless the necessity for a larger quantity is established. The application must state the number of samples to be taken, the size thereof, the kind or kinds of wine, the frequency with which the samples will be taken, and the name and address of the laboratory to which the samples are to be sent. If the application is approved, the assistant regional commissioner will retain one copy, and return the other to the proprietor.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.742 *Disposition of samples.* Remnants or residues of samples remaining after laboratory analysis, and which are not retained for laboratory specimens, must be destroyed or returned to the bonded wine cellar. Taxfree samples or residues thereof may not be consumed or sold.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.743 *Records.* Records must be kept of all samples taken for analysis and testing, showing the date of removal, the size of each sample, the kind of wine, and the name and address of the laboratory to which sent. Entries on the records must be made prior to actual removal of the samples from the bonded premises.

(68A Stat. 665, 666; 26 U. S. C. 5362, 5367)

§ 240.744 *Labeling of samples.* Each sample of wine removed for analysis or testing must be labeled "Sample for Analysis Only," and show the name of the proprietor removing the wine, and the kind of wine.

(68A Stat. 665, 666; 26 U. S. C. 5362, 5368)

SAMPLES FOR USE ON BONDED WINE CELLAR PREMISES

§ 240.745 *For analysis.* The proprietor may take samples of wine free of tax for analysis on his bonded wine cellar premises, or in his adjacent off-bond laboratory.

(68A Stat. 667; 26 U. S. C. 5372)

§ 240.746 *For tasting and testing.* The proprietor may take samples of wine free of tax for tasting and testing in his bonded wine cellar. If a room or area is set aside for tasting purposes, a record shall be maintained showing the quantities and kinds of wine transferred to the room or area for tasting.

(68A Stat. 667; 26 U. S. C. 5372)

SUBPART KK—DESTRUCTION OF WINE

§ 240.750 *General.* Wine in a bonded wine cellar may be destroyed by the proprietor without payment of tax, but the wine must be inspected and the destruction supervised by an internal revenue officer, unless the assistant regional commissioner authorizes the proprietor to destroy the wine without inspection and supervision.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.751 *Application to assistant regional commissioner.* When the proprietor desires to destroy wine and be relieved of tax liability thereon, he will file an application, in duplicate, with the assistant regional commissioner, stating the kind, alcohol content, and approximate quantity of wine which he desires to destroy, and the reason for desiring such destruction. The wine may not be destroyed until authority is received from the assistant regional commissioner.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.752 *Explanation required.* If part of the volume of the material to be destroyed is not wine, the quantity so destroyed will be reported on the basis of actual wine content of the material, excluding any dilution by water or other substance. The proprietor shall furnish such explanation of the condition of the wine as the assistant regional commissioner may require.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.753 *Record of destruction.* The proprietor will maintain a record of the quantity destroyed and include the quantity in his monthly report, Form 702.

(68A Stat. 666; 26 U. S. C. 5367, 5370)

SUBPART LL—DISPOSITION OF LEES, INCLUDING FILTER WASH AND OTHER RESIDUES

§ 240.760 *Removal as by-product.* Where it is desired to remove lees from a bonded wine cellar for use as fertilizer, the manufacture of cream of tartar, or other by-products, all wine must be expressed or drained from the lees before removal from the premises. Lees removed for such purposes must not be used as distilling material or received on fruit distillery premises. Application must be filed as required in § 240.762.

(68A Stat. 664; 26 U. S. C. 5361)

§ 240.761 *Removal as distilling material.* Where it is desired to use lees, including filter wash and other residues, as distilling material, the lees must be removed and reported in the same manner as wine removed for distilling material. When necessary, water may be added to lees before removal as distilling material. Appropriate entry of the quantity of water added to the lees must be made in the proprietor's records, as provided in § 240.486.

(68A Stat. 665; 26 U. S. C. 5362)

§ 240.762 *Application for destruction or removal.* When the proprietor of a bonded wine cellar has a substantial quantity of lees which he desires to destroy or remove other than for use as distilling material, and obtain special allowance therefor, he shall make written application, in duplicate, to the assistant regional commissioner, or to the internal revenue officer if one is assigned at the premises (or is otherwise available) for permission to do so, stating the approximate quantity and alcohol content of the lees, and the nature of the proposed disposition. The lees may not be destroyed or removed until authority has been received.

(68A Stat. 664, 666; 26 U. S. C. 5361, 5370)

§ 240.763 *Record.* When lees are destroyed or removed under Government supervision or authorization, the quantity shall be entered in cellar records and reported on Form 702 as lees destroyed or lees removed, with an explanatory statement showing that the lees were destroyed or removed under supervision or authority of an internal revenue officer. Lees so destroyed or removed will not be included with losses in calculating the percent of wine lost under § 240.783.

(68A Stat. 664, 666; 26 U. S. C. 5361, 5367, 5370)

SUBPART MM—CHANGE OF SPARKLING AND ARTIFICIALLY CARBONATED WINE INTO STILL WINE

§ 240.770 *Conversion into still wine.* Sparkling wine or artificially carbonated wine may be dumped into other containers for use as still wine. Such sparkling wine or artificially carbonated wine must be dumped, in each instance, so as to permit the loss of any effervescence (carbon dioxide) remaining in the wine. If it is desired to destroy sparkling wine or artificially carbonated wine, the procedure described in Subpart KK of this part will be followed.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.771 *Conversion of 30 gallons or more.* When the proprietor has as many as 30 gallons of effervescent wine which he desires to convert to still wine, he will file application, in duplicate, with the assistant regional commissioner stating the approximate number of gallons and the reason for desiring to convert the wine. The effervescent wine may be converted to still wine when authorized by the assistant regional commissioner.

§ 240.772 *Conversion of less than 30 gallons.* Quantities of less than 30 gallons of effervescent wine may be converted to still wine by the proprietor without notice or supervision: *Provided,* That the assistant regional commissioner may require the proprietor to file applications therefor.

§ 240.773 *Records.* When effervescent wine is converted to still wine, the quantity shall be entered on the proprietor's cellar records and reported on Form 702.

(68A Stat. 666; 26 U. S. C. 5367)

SUBPART NN—LOSSES OF WINE IN BOND

§ 240.780 *Losses by theft.* The tax shall be collected on wine stolen while on bonded wine cellar premises or in transit thereto or therefrom in bond, unless the proprietor, or other person responsible for the tax, establishes to the satisfaction of the assistant regional commissioner that the theft did not occur as the result of connivance, collusion, fraud or negligence on the part of the proprietor or other person responsible for the tax, or the owner, consignor, consignee, bailee, or carrier, or the agents or employees of any of them. Application for allowance of losses of wine by theft shall be filed as provided in this subpart.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.781 *Unauthorized voluntary destruction.* The tax shall be collected on wine voluntarily destroyed while on bonded wine cellar premises or in transit thereto or therefrom in bond, unless the destruction of the wine was effected in accordance with Subpart KK.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.782 *Other losses.* Allowance will be made for wine reported lost, otherwise than by theft or destruction, while on bonded wine cellar premises, or in transit thereto or therefrom in bond, if it is shown to the assistant regional commissioner that such loss was in fact sustained. The assistant regional commissioner may require the proprietor of the bonded wine cellar, or other person responsible for the tax, to file an application for allowance of the loss and submit proof as to the cause or causes of such loss.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.783 *Losses during fiscal year.* Losses on bonded wine cellar premises during the fiscal year, beginning July 1 and ending June 30 will be entered on monthly report, Form 702, as the extent thereof is determined. The proprietor must take actual inventory of all untaxpaid wine on hand in the bonded wine cellar at the close of business June 30 and December 31 of each year. The inventories will be reported on Form 702-C, as required by § 240.903, and losses disclosed by the inventories will be reported on Form 702 for the months of June and December. No application for allowance of loss will be required for losses in production or storage provided (a) there are no circumstances indicating that the wine reported lost, or any part thereof, was unlawfully removed, and (b) that the loss did not exceed three percent of the aggregate quantity of wine on hand at the beginning of the fiscal year and received in bond during the fiscal year, six percent of the still wine produced by fermentation and six percent of the sparkling wine produced by fermentation in bottles, at the bonded wine cellar during the fiscal year.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.784 *Calculation.* The percentage applicable to each taxable grade of wine shall be calculated separately, unless such calculation is impracticable because of the mixture of different grades by addition of wine spirits or blending during the fiscal year, in which case the percentage will be calculated on the aggregate quantity. Wine removed for use as distilling material soon after production and on which the usual racking, clarifying, and filtering losses are not sustained, will not be included in the calculations.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.785 *Losses in transit.* Where the loss of wine in transit from any package, case, tank car, or other container shipped in bond to another bonded wine cellar exceeds one percent (two percent on transcontinental shipments) of the quantity so shipped therein, the proprietor of the receiving wine cellar must file with the assistant regional commissioner for his region an application for allowance of the entire loss. The application shall be prepared in accordance with § 240.787 and be attached to the report, Form 702, for the month in which the wine is received. If the loss does not exceed one percent (two percent on transcontinental shipments), application for allowance of the loss will not be required, provided there are no circumstances indicating that the wine lost, or any part thereof, was diverted to an unlawful purpose.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.786 *Losses by fire or other casualty.* Losses by fire or other casualty, or any other extraordinary or unusual losses, including losses by theft, must be reported immediately to the assistant regional commissioner, or nearest designated internal revenue officer. Such losses shall be entered on Form 702 for the month in which they occur. Application for allowance of loss shall be prepared in accordance with § 240.787, and attached to the report for the month in which the loss is reported.

(68A Stat. 666; 26 U. S. C. 5370)

APPLICATION FOR ALLOWANCE

§ 240.787 *Preparation and submission.* Application for allowance for wine reported lost must be prepared by or at the direction of the proprietor or his duly authorized agent and, except in the case of losses in transit, by fire or other casualty, or any other extraordinary or unusual losses, must be attached to and submitted with report, Form 702, for the month of June, or in the case of discontinuance of the premises or change in proprietorship, attached to the final report. Where for a valid reason the required application cannot be submitted with the Form 702, a statement must be attached to the report setting forth the reason the application cannot be filed at that time, and specifying when it will be filed with the assistant regional commissioner.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.788 *Form of application.* Application for allowance of losses of wine in bond shall be made on letter size paper, in duplicate, showing the name and address of the proprietor, and setting forth the following information:

(a) The quantity of wine on which the loss was sustained, the taxable grade, the amount of wine lost, and the percentage of the loss;

(b) Where the application covers losses at a bonded wine cellar during a fiscal year or period of operation, there shall also be stated the quantities of wine on hand at the beginning of the fiscal year, received in bond, and produced during the year. If the percentage of loss is calculated separately by taxable grades, such quantities shall be shown separately by taxable grades. If sparkling wine has been produced, the quantity produced by fermentation in bottles will be stated;

(c) Application covering losses in transit in bond shall show the quantity lost from each container, the serial number thereof, if any, the quantity shipped therein, and the points between which the wine was shipped;

(d) The nature, cause and extent of the loss must be stated specifically and in sufficient detail to disclose all the material facts and circumstances surrounding the loss;

(e) If lost by theft, the facts establishing whether the loss occurred as the result of any negligence, connivance, collusion, or fraud on the part of the proprietor, owner, consignor, consignee, bailee, or carriers, or the employees of any of them, shall be stated; and

(f) If lost by fire or other casualty, whether the proprietor is indemnified or recompensed for the loss, and if so, the amount and nature of such indemnity or recompense. If the proprietor is indemnified for the loss, the application must set forth specifically the market value of the wine less the tax, and the amount of indemnity received.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.789 *Supporting documents.* Applications for allowance of losses of wine while being transferred by carrier shall be supported whenever possible by a copy of the bill of lading, and statements of the agents of the carrier having personal knowledge of the loss.

(68A Stat. 666; 26 U. S. C. 5370)

§ 240.790 *Insurance coverage.* The remission, abatement, or refund, or credit of, or other relief from, taxes on wine shall be allowed only to the extent that the proprietor is not indemnified or recompensed for such tax.

(68A Stat. 667; 26 U. S. C. 5371)

SUBPART OO—RETURN OF UNMERCHANTABLE TAXPAID WINE TO BONDED WINE CELLAR

§ 240.800 *General.* Taxpaid foreign or United States wine may be received at any bonded wine cellar for reconditioning and reshipment without retaxpayment, or for destruction, and in the case of unmerchantable sparkling wine or artificially carbonated wine produced in the United States, tax may be refunded or credited in accordance with the provisions of this subpart.

(68A Stat. 609, 664; 26 U. S. C. 5044, 5361)

§ 240.801 *Receipt.* The unmerchantable taxpaid wine shall be received and retained off the bonded premises, or in the taxpaid room on the bonded premises, in the containers (including cases) in which it is received, until it is transferred to the general bonded area for reconditioning or destruction, unless otherwise authorized by the assistant regional commissioner, or unless the wine is to be retaxpaid, as provided in § 240.807. The wine may be so retained until a sufficient quantity has been received for economical handling. The containers of each lot of wine returned must be marked so that they may readily be associated with credit memoranda or similar papers covering return of the wine.

(68A Stat. 611, 664; 26 U. S. C. 5044, 5361)

§ 240.802 *Transfer to general bonded area.* When the proprietor desires to transfer the wine from off-bond storage or the taxpaid room on the bonded premises to the general bonded area for reconditioning or destruction, he will notify the assistant regional commissioner, or officer designated by him, of the kind, quantity and alcohol content (taxable grade) of the wine, the date on which he desires to transfer the wine to the general bonded area, and its proposed disposition. Where thirty gallons or more of unmerchantable sparkling wine or artificially carbonated wine, produced in the United States, have been accumulated on which it is desired to obtain refund of or credit for tax, application shall be filed in quadruplicate showing, in addition to the above information, the name, address and registry number of the bonded wine cellar from which the effervescent wine was removed, and the date of removal or taxpayment. The assistant regional commissioner may assign an officer to inspect the wine and supervise its transfer to the general bonded area and conversion or destruction, or he may authorize the proprietor, except where claim for refund or credit is to be filed, to transfer the wine without such inspection and supervision.

(68A Stat. 611, 664; 26 U. S. C. 5044, 5361)

§ 240.803 *Reconditioning and removal.* The returned wine shall be reconditioned and removed from the bonded premises expeditiously. Foreign wine shall be kept separate from United States wine. If necessary to facilitate handling, the proprietor may be authorized to add to United States wine an additional quantity of previously untaxpaid wine, as provided in § 240.804. The containers in which reconditioned wine is placed shall be marked in accordance with § 240.562; and in the case of foreign wine the country of origin shall be marked thereon.

(68A Stat. 664; 26 U. S. C. 5361)

§ 240.804 *Taxpayment of additional quantity.* Where the quantity of United States wine to be reconditioned is less than 500 gallons of any one kind (class and type) of wine, the proprietor may add thereto a sufficient quantity of the same kind of wine to facilitate reconditioning. For this purpose the proprietor shall provide in the bonded premises an accurately calibrated tank. The proprietor shall submit a letter notice, in duplicate, to the assistant regional commissioner, who may detail an officer to supervise the addition of the wine to the returned wine. The notice will specify the kind and quantity of wine being reconditioned, the additional quantity to be taxpaid, and the date it is proposed to taxpay the additional quantity. A copy of the notice, bearing the approval of the assistant regional commissioner, will be returned to the proprietor as his authority to proceed. The untaxpaid wine will be run into the measuring tank, the proprietor will measure the wine, and will enter in his records as a taxable removal the quantity as measured. The returned wine may then be mingled with the wine so measured. The proprietor will report the details of the transaction in part X of Form 702.

§ 240.805 *Records.* The proprietor shall keep a separate record concerning the reconditioning of returned taxpaid wine showing the date of reconditioning, the quantity and taxable grade of the wine reconditioned, the quantity, if any, of wine specially taxpaid for addition to the wine being reconditioned and the serial numbers or other identification of the containers in which the reconditioned wine was placed. In addition the following information will be shown in respect to wine received for reconditioning and removed:

(a) Name and address of the person from whom the wine is received;

(b) Date of receipt;

(c) The kind, quantity and taxable grade of the wine;

(d) The serial numbers or other identifying marks of the containers in which the wine is received;

(e) The name and address of the persons to whom the reconditioned wine is shipped;

(f) Time of shipment; and

(g) The kind, quantity and taxable grade shipped to each. If the information required in regard to receipts and shipments is shown on the taxpaid room record required by § 240.921 the separate record of reconditioning need not include information as to receipt and disposition of the wine.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.806 *Destruction of returned taxpaid wine.* Taxpaid wine which has been received at the bonded wine cellar may be destroyed. Upon destroying the wine the proprietor will forward to the assistant regional commissioner a notice showing the kind of wine, quantity, taxable grade and date of destruction. Unless records showing the receipt of the wine and the person from whom received have previously been made in connection with the regular taxpaid room records required by § 240.921, separate record showing this information will be prepared.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.807 *Retaxpayment of returned United States wine.* Where, because of the quantity involved, or other reason, the proprietor does not recondition the returned United States wine separately, or taxpay an additional quantity for adding thereto to facilitate reconditioning, he may return the taxpaid wine to stock in the bonded premises, subject to retaxpayment if removed for a taxable purpose. When wine is so returned, the procedure described in §§ 240.801 to 240.804 should not be followed. Such returned United States wine will be reported on Form 702 with an explanatory notation in part X of the form.

(68A Stat. 664; 26 U. S. C. 5361)

REFUND OF TAX ON UNMERCHANTABLE WINE

§ 240.808 *General.* The tax paid or determined on any sparkling wine or artificially carbonated wine produced in the United States which has been returned to a bonded wine cellar as unmerchantable shall be refunded, or credited, without interest, or the person liable for the tax relieved of such liability, as provided in this subpart.

(68A Stat. 611; 26 U. S. C. 5044)

§ 240.809 *Refund, credit, or relief.* Where sparkling wine or artificially carbonated wine, produced in the United States and removed subject to tax, has been returned to a bonded wine cellar as unmerchantable and for conversion into still wine in accordance with Subpart MM of this part or for destruction in accordance with Subpart KK of this part the proprietor so converting or destroying the wine may obtain refund or credit or the person liable for the tax relieved of such liability: *Provided,* The quantity so received totals thirty wine gallons or more: *And provided further,* That the wine was removed subject to tax on or after January 1, 1955.

(68A Stat. 611; 26 U. S. C. 5044)

§ 240.810 *Claim for refund or credit.* When the conversion or destruction of sparkling wine or artificially carbonated wine has been completed, pursuant to application in amounts totaling thirty wine gallons or more, a claim on Form 843, in duplicate, may be filed with the assistant regional commissioner by the proprietor requesting refund of tax on the unmerchantable wine so converted or destroyed. There shall be attached to each copy of the claim a copy of the application for destruction or conversion of the unmerchantable wine, bearing the certification of the internal revenue officer supervising the conversion or destruction and showing the date of taxpayment of the wine. If the proprietor desires that the amount of tax on the unmerchantable wine be credited against current taxable removals of wine, instead of refunded, he shall take credit on a wine tax return, Form 2050.

(68A Stat. 611; 26 U. S. C. 5044)

§ 240.811 *Relief.* Where a quantity of sparkling wine or artificially carbonated wine removed upon determination of tax is returned to a bonded wine cellar as unmerchantable pursuant to approved application prior to payment of tax, and is converted or destroyed as provided in § 240.809, the person liable for the tax may be relieved of such liability by taking credit for the amount of tax involved on the tax return, Form 2050, on which the tax would otherwise have been paid.

(68A Stat. 611; 26 U. S. C. 5044)

SUBPART PP—WITHDRAWAL OF WINE SPIRITS FOR WINE PRODUCTION

§ 240.820 *General.* The wine spirits authorized for use in wine production shall be produced from the distilling material authorized for use in distillery operations under section 5215, Internal Revenue Code, but shall not be reduced with water from distillation proof, nor be distilled at less than one hundred forty degrees proof: *Provided,* That commercial brandy aged in wood for a period of not less than two years and barreled at not less than one hundred degrees proof shall be deemed wine spirits for purposes of this part.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.821 *Who may withdraw.* The proprietor of any bonded wine cellar may withdraw and receive wine spirits without payment of tax from any registered fruit distillery or internal revenue bonded warehouse for use in the production of natural wine, or for addition to concentrated or unconcentrated juice for use in wine production, or for such other uses as are authorized in this part. Application for the withdrawal of wine spirits should not be filed until facilities for the receipt, storage or use of the spirits have been approved by the assistant regional commissioner. The proprietor will advise the assistant regional commissioner, or officer designated by him, sufficiently in advance of withdrawals so that an internal revenue officer may be assigned to supervise the receipt of the wine spirits at the wine cellar.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.822 *Application, Form 257.* Where it is desired to withdraw wine spirits for wine production, either from a fruit distillery or from an internal revenue bonded warehouse, application will be made by the proprietor on Form 257. The proprietor shall specify in the application the approximate desired date of receipt of wine spirits and whether the wine spirits are to be withdrawn in packages, railroad tank cars, tank trucks, or by pipeline, and (a) if the wine spirits are to be withdrawn in railroad tank cars, whether both the bonded wine cellar and the distillery or warehouse from which the wine spirits are to be withdrawn are equipped with suitable railroad siding facilities, pipelines, and tanks for gauging the wine spirits, (b) if the wine spirits are to be withdrawn in tank trucks, whether both the bonded wine cellar and the distillery or warehouse from which the wine spirits are to be withdrawn are equipped with suitable loading and unloading facilities and tanks for gauging the wine spirits, and (c) if the wine spirits are to be withdrawn by pipeline, whether the wine cellar and the distillery or warehouse from which the wine spirits are to be withdrawn are located on adjacent premises and are equipped with suitable tanks, and whether the pipeline has been inspected and approved as required by § 240.169. He shall state in the application the penal sum of the bond, Form 700. The same application may not include wine spirits from more than one distillery or warehouse, or from both a distillery and a warehouse, nor two or more lots to be removed from the same distillery or warehouse at different times, except where the distillery or warehouse is adjacent to the bonded wine cellar, as provided in § 240.825.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.823 *Filing of Forms 257.* The application shall be filed in triplicate where the bonded wine cellar and the distillery or warehouse are in the same internal revenue region, and in quadruplicate where they are in different regions. Where the wine cellar and distillery or warehouse premises are located in the same region Form 257 will be submitted to the internal revenue officer if one is assigned to the wine cellar, or to an adjacent fruit distillery or internal revenue bonded warehouse. If an internal revenue officer is not assigned to such premises, the application will be submitted to the assistant regional commissioner or to such officer as he may designate. The assistant regional commissioner will notify each designated internal revenue officer of the amount of the proprietor's bond. He will also notify each proprietor concerned where Forms 257 are to be submitted to a designated internal revenue officer. Forms 257 covering inter-region withdrawals will be submitted direct to the assistant regional commissioner of the region in which applicant wine cellar is located.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.824 *Transfer of wine spirits.* If an application for withdrawal of wine spirits in the same region is approved, all copies will be forwarded by the approving officer to the fruit distillery or the internal revenue bonded warehouse as authority for release of the wine spirits. Upon receipt of the wine spirits at the bonded wine cellar they will be deposited in the wine spirits storage room or tank. If an internal revenue officer is not assigned to the bonded wine cellar, the proprietor will on receipt of the wine spirits request the assistant regional commissioner or designated officer to detail an officer to supervise the deposit or immediate use.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.825 *Monthly withdrawals.* If the distillery or warehouse and the wine cellar are located on adjacent premises and wine spirits are to be transferred to the bonded wine cellar from time to time during the month, under supervision of an internal revenue officer, the proprietor's application on Form 257 may cover all wine spirits to be transferred to the wine cellar during the month. In such case, if the bond of the proprietor is not in the maximum penal sum, the proprietor shall specify on Form 257 the maximum quantity of wine spirits that will be removed from the distillery or warehouse on any one day, less the quantity on hand unused at the beginning of the day.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.826 *Receipt of wine spirits in packages.* When packages of wine spirits are received at the bonded wine cellar the proprietor will examine the packages and satisfy himself that the wine spirits are the same as described in Forms 257 and 1520 (received from the distillery or warehouse) and then will deposit the wine spirits in the wine spirits storage room under the supervision of the internal revenue officer. The proprietor, under the supervision of the officer, will gauge any packages which appear to have been tampered with or from which wine spirits appear to have been abstracted or lost. The details of packages so regauged will be reported on Form 1520, in quadruplicate, by the proprietor with a statement setting forth fully the apparent cause of the loss.

(68A Stat. 666, 667; 26 U. S. C. 5368, 5373)

RECEIPT OF WINE SPIRITS BY PIPELINE

§ 240.827 *General.* Where the distillery or warehouse and the bonded wine cellar are located on adjacent premises wine spirits may be transferred from the distillery or warehouse to the wine cellar by pipeline for immediate use in wine production, or may be transferred to wine spirits tanks for subsequent use.

(68A Stat. 634; 667; 26 U. S. C. 5194, 5373)

§ 240.828 *Transfer of wine spirits by pipeline for immediate use.* Wine spirits transferred by pipeline for immediate use may be gauged either by weight or by volume in the distillery or the warehouse. Where the spirits are gauged in the distillery or warehouse, the pipeline shall be directly connected, as provided in § 240.169, with wine spirits addition tanks. The valves in the pipeline will be closed and locked with a Government lock at all times except when necessary to be opened for the transfer of wine spirits. Where the proprietor has placed wine in a wine spirits addition tank and has ascertained the quantity of wine spirits to be added, the wine spirits may be transferred under the supervision of the internal revenue officer.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.829 *Transfer of wine spirits by pipeline to wine spirits storage tank in wine cellar.* Where it is desired to transfer wine spirits by pipeline to the bonded wine cellar and store such spirits therein prior to use, there must be provided within the wine cellar a suitable storage tank or tanks for storing the wine spirits. The pipeline from the adjacent distillery or warehouse must empty into such tank or tanks as provided in § 240.169. The wine spirits will be transferred under supervision of the internal revenue officer, and if not gauged in the distillery or warehouse, shall be gauged by weight or volume in the bonded wine cellar.

(68A Stat. 667; 26 U. S. C. 5373)

WITHDRAWAL OF WINE SPIRITS IN TANK CARS AND TANK TRUCKS

§ 240.830 *General.* Wine spirits may be withdrawn in railroad tank cars (where shipping and receiving premises have suitable railroad siding facilities) and tank trucks, provided appropriate weighing tanks or tanks suitable for measuring the spirits are provided in both the distillery or warehouse and the bonded wine cellar for gauging the wine spirits, or the wine spirits are transferred in accurately calibrated tank cars or tank trucks with calibration charts available at the distillery or warehouse and the wine cellar, and a closed storage tank (or tanks) of sufficient capacity to hold the wine spirits is provided in the wine cellar. Pipelines for transfer of wine spirits from the tank car or tank truck to the tank in the bonded wine cellar must be provided in accordance with § 240.169.

(68A Stat. 634, 667; 26 U. S. C. 5194, 5373)

§ 240.831 *Tank car and tank truck requirements.* Railroad tank cars and tank trucks used to transport wine spirits for use in wine production must be constructed, marked, filled, labeled, and inspected, in the manner required by regulations in Part 221 or Part 225, as applicable, of Title 26 of the Code of Federal Regulations.

(68A Stat. 634; 26 U. S. C. 5194)

§ 240.832 *Examination of tank car or tank truck upon arrival at wine cellar.* Upon arrival of the tank car or tank truck at the bonded wine cellar, the seals must not be broken or any wine spirits removed except in the presence of the internal revenue officer, who will first carefully examine the car to see whether the seals are intact and whether there is any evidence of loss by leakage or otherwise. The contents of the tank car or tank truck will be gauged by weight or volume at the time of receipt by the proprietor under the supervision of the internal revenue officer. If the tank car or tank truck has been accurately calibrated, and the calibration chart is available at the wine cellar, the wine spirits may be gauged by volume in the tank car or tank truck. In any case where a volume gauge is made, the actual measurements of the depth of the spirits in the gauging tank, tank car, or tank truck, and the temperature of the spirits, will be recorded on Form 1520. The transfer of the wine spirits from the tank car or tank truck to the wine spirits storage tank must be made under the supervision of the internal revenue officer. The label attached to the tank car or tank truck at the distillery or warehouse shall be destroyed by the proprietor immediately the car or truck is emptied.

(68A Stat. 634, 666; 26 U. S. C. 5194, 5366)

§ 240.833 *Report of gauge at wine cellar.* The proprietor will prepare a report of his gauge on Form 1520, in quadruplicate, of the wine spirits received by tank car or tank truck, and will attach a copy of the form to each copy of Form 257 received from the distillery or warehouse. If there is a loss in excess of one percent the proprietor will submit a report to the internal revenue officer supervising the receipt, stating the apparent cause of the loss and all circumstances having a bearing thereon.

(68A Stat. 634; 26 U. S. C. 5194)

RECORD AND SUPERVISION

§ 240.834 *Disposition of Form 257.* When the wine spirits have been deposited in the wine spirits storage room or storage tank, or run directly into a wine spirits addition tank, the proprietor will execute the certificate of deposit on each copy of Form 257 (in case the form covers a single shipment), forward promptly one copy, with Form 1520 attached, to the assistant regional commissioner, and retain the remaining copy as a part of the bonded wine cellar records. In case Form 257 is for monthly withdrawals, the proprietor will acknowledge receipt of the wine spirits on each copy of Form 1520 received from the distillery or warehouse, and attach a copy of Form 1520 to each copy of Form 257. At the end of the month the proprietor will execute the certificate of deposit on each copy of Form 257, forward one copy, with Forms 1520 attached, to the assistant regional commissioner, and retain the remaining copy as a part of his wine cellar records.

(68A Stat. 666; 26 U. S. C. 5368)

§ 240.835 *Waiver of requirements of supervision.* The assistant regional commissioner may waive the requirements that the receipt and use of wine spirits at a bonded wine cellar be supervised by an internal revenue officer. In such case, the wine spirits so received will be gauged by the proprietor and placed under his lock.

(68A Stat. 666; 26 U. S. C. 5366)

WITHDRAWAL OF WINE SPIRITS FOR USE IN EFFERVESCENT WINE OR SPECIAL NATURAL WINE PRODUCTION

§ 240.836 *Withdrawal from distillery or warehouse.* Proprietors of bonded wine cellars engaged in the production of sparkling wine or artificially carbonated wine, or special natural wine, for which wine spirits are required for dosage, or for the preparation of approved essences or similar approved flavorings on the wine cellar premises, may make application on Form 257 in accordance with § 240.822 to withdraw tax-free wine spirits in a quantity not to exceed two packages or 110 wine gallons. If bottled wine spirits are procured, the quantity shall be limited to two cases. Such wine spirits will be received by the proprietor and placed under his lock in a secure room or locker on the bonded premises, and the receipt on Form 257 acknowledged by him. Use of the wine spirits may be permitted without Government supervision. The quantity on hand at any time shall not exceed three packages or three cases. Record of receipt and use will be kept in accordance with Subpart UU of this part and entered on Form 702.

(68A Stat. 667, 668, 671; 26 U. S. C. 5373, 5382, 5386)

§ 240.837 *Withdrawal from wine spirits storage room.* If a proprietor has wine spirits in packages on hand under Government lock in his wine spirits storage room he may, instead of following the procedure in § 240.836, submit to the internal revenue officer at the premises a written request, in duplicate, to withdraw from such room a quantity of wine spirits not to exceed two packages. If the request is in order the internal revenue officer will release the spirits, and the proprietor will gauge them and prepare Form 1520, in triplicate, under the supervision of the internal revenue officer. The wine spirits will then be released to the proprietor and placed under his lock in a secure room or locker on the bonded premises. One copy of Form 1520 will be retained by the proprietor, one copy of the proprietor's request with a copy of Form 1520 attached will be forwarded to the assistant regional commissioner, and the remaining copy of the request and Form 1520 will be placed in the Government cabinet. Losses of wine spirits disclosed on regauge will be handled in accordance with Subpart QQ of this part. Use of wine spirits so released to the proprietor may be permitted without Government supervision. Record of such use will be kept in accordance with Subpart UU of this part and entered on Form 702.

(68A Stat. 667, 668; 26 U. S. C. 5373, 5382)

SAMPLES OF WINE SPIRITS

§ 240.838 *Limitations.* Samples of wine spirits may be withdrawn, free of tax, from any bonded wine cellar for analysis or testing. A sample may be withdrawn from each lot of wine spirits received, or from each wine spirits storage tank, or from a package representative of a lot of wine spirits on hand in the wine spirits storage room. Each sample shall be not more than one pint in size, and only one sample may be taken from any lot of wine spirits, unless authority is received from the assistant regional commissioner for larger or additional samples, upon a showing of necessity therefor. All spirits produced at the same distillery on the same day, if received in the same shipment, will be considered as constituting a lot of spirits.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.839 *Application.* The proprietor shall file application, in triplicate, with the internal revenue officer whenever samples of wine spirits are desired. The application shall identify the lot or lots of spirits from which samples are desired, the size of the sample to be withdrawn from each lot, and the disposition to be made of the samples. Remnants or residues of samples remaining after analysis or testing, and which are not retained for laboratory specimens, must be destroyed or returned to the bonded wine cellar for use in wine production.

(68A Stat. 667; 26 U. S. C. 5373)

SUBPART QQ—LOSSES OF WINE SPIRITS IN BOND

§ 240.850 *Taxable losses.* Tax shall be collected on wine spirits: (a) In the case of loss by theft, unless the assistant regional commissioner shall find that the theft occurred without connivance, collusion, fraud, or negligence on the part of the proprietor or other person responsible for the tax, or the owner, consignor, consignee, bailee, or carrier, or the employees of any of them; and (b) in the case of voluntary destruction, unless the proprietor or other person responsible for the tax destroys the spirits under such supervision as the assistant regional commissioner may require.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.851 *Insurance coverage.* The remission, abatement, refund, credit, or other relief from taxes on wine spirits lost by theft shall be allowed only to the extent that the claimant is not indemnified or recompensed for such tax, by a valid claim of insurance or otherwise.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.852 *All other causes.* The tax on wine spirits withdrawn for use in wine production, and lost due to causes other than theft or voluntary destruction while being transferred to the wine cellar, or while in the wine cellar, may be remitted as provided in §§ 240.855 and 240.856.

(68A Stat. 604; 26 U. S. C. 5011)

DETERMINATION OF LOSSES

§ 240.853 *In transit.* Losses in transit will be ascertained at the time the wine spirits are received at the wine cellar, as provided in §§ 240.826 and 240.833.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.854 *In wine cellar.* Losses by theft, or from other causes, in the bonded wine cellar, will be determined and reported at the time the losses are discovered. A physical inventory of wine spirits storage tanks shall be taken at the close of the month during which wine spirits are used in wine production, or upon completion of such use for the month and at any other time required by the assistant regional commissioner or a designated internal revenue officer. Any losses which have not previously been reported will be determined by the inventory. Where a loss is discovered requiring filing of a claim as provided in § 240.855, the proprietor will gauge the contents of the container from which the loss occurred and prepare a report of gauge on Form 1520, in quadruplicate. Three copies of Form 1520 will be delivered to the internal revenue officer at the premises.

(68A Stat. 604; 26 U. S. C. 5011)

CLAIMS FOR LOSSES

§ 240.855 *When required.* Where any loss by theft occurs, claim for remission of tax must be made by the proprietor. Where the loss from any package or railroad tank car or tank truck in transit to the bonded wine cellar exceeds one percent of the quantity shipped therein, claim for remission of tax on the entire quantity lost from the package or railroad tank car or tank truck must be made by the proprietor. Where the loss on any lot of wine spirits transferred to the wine cellar by pipeline exceeds one percent, claim for remission of tax on the entire quantity lost must likewise be made by the proprietor. Where the loss in the wine cellar from any package exceeds one percent of the quantity contained in the package at the time of receipt, or where the loss from storage tanks exceeds one percent of the total quantity contained in such tanks during the month, claim for remission of tax on the entire quantity lost from each such package or from such storage tanks, must be made by the proprietor.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.856 *When not required.* Where the loss in transit or in the wine cellar does not exceed one percent, calculated in accordance with § 240.855, claim for remission of tax will not be required, provided there are no circumstances indicating that the loss is not allowable under the law.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.857 *Form of claim.* No special forms have been prescribed for use in filing claims for remission of tax. Such claims shall be made on letter size paper showing the name and address of the claimant and the registry number of the bonded wine cellar, and shall set forth the following information:

(a) The name, registry number, and location of the distillery which produced the wine spirits;

(b) The serial numbers of the packages or other containers from which the wine spirits were lost, the quantity lost from each, and the total quantity of wine spirits covered by the claim;

(c) The total amount of tax for which claim is filed;

(d) The date of the loss, or if such date is not known, the date on which the loss was discovered, and the nature and cause (if known) of the loss, together with all the known material facts and circumstances surrounding the loss;

(e) The name of the carrier, if any;

(f) If lost by theft, the facts establishing whether the loss occurred as the result of any negligence, connivance, collusion, or fraud on the part of the distiller, warehouseman, owner, consignor, consignee, bailee or carrier, or the employees of any of them; and

(g) If lost by theft, whether the claimant is indemnified or recompensed for the loss, and if so, the amount and nature of such indemnity or recompense; the actual value of the wine spirits, less the tax, must be stated explicitly, and certified copies of all policies of insurance or other documents of indemnity covering the wine spirits, must be furnished where required. The claim will be signed by the proprietor or his authorized agent. Immediately above the signature will appear the following statement: "I declare under the penalties of perjury that this claim (including any accompanying statements) has been examined by me and to the best of my knowledge and belief is true and correct."

(68A Stat. 604, 749; 26 U. S. C. 5011, 6065)

§ 240.858 *Supporting documents.* Claims for remission of tax on wine spirits lost while being transferred to a bonded wine cellar shall, if the transfer was made by public carrier, be supported by statements of the agents of the carrier having personal knowledge of the loss, and whenever possible by a copy of the bill of lading. Claims covering losses in the wine cellar must be supported by statements of persons having personal knowledge of the loss.

(68A Stat. 604; 26 U. S. C. 5011)

§ 240.859 *Filing of claims.* Claims for remission of tax on wine spirits lost in transit, or in the bonded wine cellar, must be filed by the proprietor within 30 days of discovery of the loss with the assistant regional commissioner of the region in which the wine cellar is located.

(68A Stat. 604; 26 U. S. C. 5011)

SUBPART RR—DISPOSITION OF UNUSED WINE SPIRITS

§ 240.870 *General.* Wine spirits withdrawn by the proprietor of a bonded wine cellar and not used in wine production may be disposed of by transfer to an internal revenue bonded warehouse or another bonded wine cellar, or by taxpayment and removal to a person authorized to receive such spirits, or may be voluntarily destroyed without payment of tax as provided in § 240.874.

(68A Stat. 604, 667; 26 U. S. C. 5011, 5373)

§ 240.871 *Application to dispose of wine spirits.* Application for permission to transfer wine spirits to an internal revenue bonded warehouse or bonded wine cellar or to taxpay or destroy wine spirits, shall be filed with the assistant regional commissioner. The application, in duplicate, in letter form shall set forth the serial numbers of the packages or storage tanks in which the wine spirits are contained, the kind and quantity of wine spirits involved, the name and registry number of the distiller of the wine spirits, the date of receipt of the wine spirits in the wine cellar, and the reason it is desired to taxpay, destroy, or transfer the wine spirits.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.872 *Transfer to bonded warehouse or wine cellar.* When it is desired to transfer wine spirits to a bonded warehouse or bonded wine cellar the application shall specify the name, number and location of such premises, and the means or containers by or in which it is proposed to transfer the wine spirits thereto. The application shall also specify whether the proprietor of the designated warehouse or wine cellar has agreed to receive the wine spirits and file consent of surety on his bond, extending the terms of the bond to cover transfer to his premises and storage thereat.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.873 *Taxpayment.* When it is desired to taxpay the wine spirits, the application shall describe the containers in which the spirits will be removed upon taxpayment and the name and address of the person or persons to whom the spirits will be shipped and whether the spirits will be used for beverage or nonbeverage purposes.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.874 *Disposition of spirits.* If the application is approved, the proprietor may dispose of the spirits in accordance with the application. In case the spirits are to be destroyed the destruction will be accomplished under such supervision as the assistant regional commissioner may require. If the spirits are to be transferred to another bonded wine cellar or internal revenue bonded warehouse, or taxpaid, the assistant regional commissioner will advise the proprietor regarding the marking of the containers and the reports to be rendered. Prior to such transfer or taxpayment, the wine spirits will be gauged by the proprietor under the supervision of an internal revenue officer.

(68A Stat. 667; 26 U. S. C. 5373)

SUBPART SS—TAX LIABILITY FOR WINE SPIRITS WITHDRAWN FOR WINE PRODUCTION

§ 240.880 *Charge against proprietor.* Proprietors of bonded wine cellars may become liable for the tax on all wine spirits withdrawn for use in wine production, and their bonds must fully cover the internal revenue tax at the rate imposed by law on such wine spirits on hand or in transit, in addition to the tax on wine as provided in § 240.221.

(68A Stat. 667; 26 U. S. C. 5373)

§ 240.881 *Assessment of tax.* Where it appears that wine spirits withdrawn for use in wine production were unlawfully removed, or that the tax may not be remitted on a loss of wine spirits occurring in transit to or in the bonded wine cellar, the assistant regional commissioner will cause the tax to be assessed. Where wine spirits have been used in violation of the provisions of Subchapter F of Chapter 51 of the Internal Revenue Code and the proprietor of the bonded wine cellar does not satisfactorily show that such wine spirits were not knowingly used in violation of the law, the tax thereon will be assessed.

(68A Stat. 672; 26 U. S. C. 5391)

SUBPART TT—PRODUCTION AND STORAGE OF ALLIED PRODUCTS

§ 240.890 *Application.* A proprietor desiring to produce or prepare for market commercial fruit products, or recover by-products (not including volatile fruit-flavor concentrates) and store such products on bonded wine cellar premises must file application, in triplicate, with the assistant regional commissioner setting forth fully the details of the desired activity. Activities permitted will be limited to those in which fruit or fruit juice is the principal material used in production. Such operation may not be commenced before approval has been obtained from the assistant regional commissioner. Wine may not be used in the production of allied products.

(68A Stat. 664; 26 U. S. C. 5361)

§ 240.891 *Segregation.* Allied products will be produced and stored with such degree of segregation from wine operations as may be required by the assistant regional commissioner to prevent jeopardy to the revenue or conflict with wine operations. Equipment used for bottling or packing wine may not be used for bottling or packing allied products at times when wine is being bottled or packed, unless completely separate facilities are provided and the products are kept separate.

(68A Stat. 664; 26 U. S. C. 5361)

§ 240.892 *Records.* The use of fruit, fruit juice or concentrated fruit juice in the production of allied products will be reported on the record of materials received and used required by § 240.915. Fruit juice and concentrated fruit juice will be fully accounted for on that record. Commercial records must be kept showing the production and disposition of other allied products. If sugar is used in allied products, the receipt and use of the sugar so used will be shown on the sugar record required by § 240.914.

(68A Stat. 664; 26 U. S. C. 5361)

SUBPART UU—RECORDS AND REPORTS

§ 240.900 *Form 702.* The proprietor of each bonded wine cellar shall prepare at the close of each month Form 702, in duplicate, verified and signed under the penalties of perjury and, on or before the tenth day of the succeeding month, will forward the original of the report to the assistant regional commissioner. All operations of the bonded wine cellar will be reported in summaries on Form 702 as indicated by the headings of lines and columns, and in accordance with the instructions printed on the form or issued in respect thereto. The information reported on Form 702 will be obtained from the wine cellar records maintained in accordance with the requirements of this part. Where fractional parts of a gallon are involved, they shall be expressed in decimals to the nearest one-tenth gallon, five hundredths gallon being converted to the next full one-tenth gallon.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.901 *Form 2050.* The proprietor of every bonded wine cellar removing wine subject to tax will prepare Form 2050, in triplicate, showing thereon the number of gallons of wine of each tax class so removed during the day covered by the return, the amount of tax due by tax class, and the total tax due. There shall also be shown any increases or decreases in tax due to errors in previous returns, Form 2050, credits for the conversion or destruction of unmerchantable effervescent wine, credit for the prepayment of tax as shown by Form 2052, and amounts of tax due totaling less than $10 on account of removals on previous days when no return, Form 2050, was prepared as provided in § 240.591. Form 2050 will be serially numbered by the proprietor, commencing with "1" on January 1 of each year. Form 2050 shall contain or be verified by a written declaration that it is made under the penalties of perjury. One copy of the form will be retained by the proprietor and the original and one copy of the form, with remittance, will be filed with the district director as provided in § 240.591.

§ 240.902 *Form 2052.* When the proprietor desires to prepay tax, as provided in § 240.593, he shall first prepare Form 2052, in triplicate, covering a specific quantity of wine to be removed on that day. The original and one copy of Form 2052 shall be delivered to the district director of internal revenue or deposited in the United States mail properly addressed to him, together with a remittance as provided in § 240.593, prior to removal of the wine. Form 2052 will be serially numbered by the proprietor, commencing with "1" on January 1 of each year. Credit for the amount prepaid on Form 2052 will be taken on the tax return, Form 2050, covering removals for a taxable purpose for the day.

§ 240.903 *Form 702–C.* The proprietor of every bonded wine cellar shall make a detailed report on Form 702–C, in duplicate, of each inventory taken by him of all wine on storage at his wine cellar at the close of business on June 30 and December 31 of each year. The original of Form 702–C shall be attached to Form 702 for the month to which it pertains. If at other times complete actual inventories of wine are taken and losses disclosed thereby are reported on the monthly report, Form 702, Form 702–C will be prepared and the original thereof forwarded with the report on Form 702.

(68A Stat. 666; 26 U. S. C. 5367, 5369)

§ 240.904 *Form 275 and Form 1520.* The proprietor of every bonded wine cellar using wine spirits in the production of wine shall prepare Forms 275 and 1520 at the time wine spirits are gauged and added to wine, as prescribed in §§ 240.376 and 240.379.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.905 *Prescribed forms.* All reports required by this part will be made on forms prescribed by the Director, Alcohol and Tobacco Tax Division. Entries will be made as indicated by the headings of the columns and lines and as required by the instructions printed thereon or issued in respect thereto and by this part. Where forms are prescribed for the keeping of cellar records, entries will be made on such records as instructions may provide, except that where substitute records are approved by the assistant regional commissioner, as provided in § 240.913, entries will be made as the assistant regional commissioner may require. Forms for reports, that is, forms which will be filed with the assistant regional commissioner, will be furnished free of cost by him. Prescribed forms for cellar records must be provided at the expense of the proprietor. Samples of such records may be obtained from the assistant regional commissioner for the use of commercial printers for reproducing the forms.

§ 240.906 *Form 2054, wine fermentation record.* Each proprietor engaged in the production of still wine shall maintain a wine fermentation record on Form 2054 showing the details of the fermentation and amelioration of wine. A separate Form 2054 shall be maintained for each kind of fruit or other primary material used in winemaking. Where no sugar is used in the production of wine from a particular kind of fruit, Form 2054 need not be maintained covering the production of wine from that fruit provided the record of materials received and used required by § 240.915 shows the quantity of fruit, juice, or concentrate used for winemaking each day, and in case water is added as permitted by §§ 241.353, 240.361, and 240.402, the total solids content of the juice in degrees Brix is shown before and after addition of the water, and the quantity of water used is recorded.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.907 *Form 2055, wine reserve inventory record.* Each proprietor engaged in the production of wine from grapes or other fruit, with the use of sugar, who desires to reserve wine of his own production for sweetening or the addition of wine spirits shall maintain a wine reserve inventory record on Form 2055, identifying the wine reserved and showing for the entire inventory the sweetening and wine spirits added and the resultant increases in volume. The inventory account will be balanced at the end of each month and whenever wine is withdrawn from reserve or losses are determined. Upon withdrawal of all wine from reserve inventory the account will be closed and a new inventory account opened when next it is desired to reserve wine for sweetening or the addition of wine spirits. A separate reserve inventory and record will be maintained for each kind of fruit. At the end of each month there will be reported on Form 702 the totals for all wine reserve inventories concerning: (a) Wine deposited in reserve; (b) increases in volume by sweetening; (c) increases in volume by the addition of wine spirits; (d) wine withdrawn from reserve; and (e) losses determined.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.908 *Form 2056, record of still wine.* Each proprietor of a bonded wine cellar who produces or receives still wine, other than distilling material or vinegar stock made with excess water, shall maintain a record of still wine on Form 2056, showing the quantities produced, received, removed, or used in effervescent wine production. A separate Form 2056 shall be maintained for each tax class of still wine. In each tax class, transactions for all still wines (including special natural wine but not including distilling material, vinegar stock, or wine in reserve) shall be entered on a single record. At the end of each month the totals shown by Form 2056 shall be reported on Form 702.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.909 *Form 2057, record of effervescent wine.* Each proprietor engaged in the production or receipt of effervescent wine shall maintain Form 2057 showing the details of production, receipt and removal. Separate records will be kept for sparkling wine fermented in bottles, sparkling wine fermented in bulk and artificially carbonated wine, for each kind of fruit. At the end of each month the still wine used in effervescent wine production and the effervescent wine produced and removed will be reported on Form 702.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.910 *Form 2058, special natural wine production record.* Each proprietor producing special natural wine under § 240.444 shall maintain Form 2058 showing the details of production. At the end of each month the total gains and losses in special natural wine production will be reported in part I of Form 702. In addition a separate record shall be maintained showing the receipt and use or other disposition of all herbs, aromatics, essences, or other flavoring materials received for the production of special natural wine. Entries will be made on the record, for which no form is prescribed, daily as the transactions occur. Proprietors producing special natural wine under § 240.443 will not keep Form 2058, but must maintain the separate record of herbs, etc., and in addition must keep the same records as are required in the production of natural wine.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.911 *Form 2059, record of distilling material or vinegar stock.* Each proprietor producing or receiving wine with excess water expressly for use as distilling material or vinegar stock shall maintain Form 2059 showing the amount and kind produced, received and removed. At the end of each month the proprietor shall record the total transactions in part VI of Form 702. Transactions of wine produced expressly for distilling material or vinegar stock will not be recorded on Form 2056.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.912 *Form 2060, record of wine cases filled.* Each proprietor removing wine in cases shall keep Form 2060, record of wine cases filled, showing the number of cases filled daily and the serial numbers, except that if serial numbers of cases are shown on the record of taxpaid removals, Form 2060 need not be maintained.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.913 *Substitute record.* Proprietors of bonded wine cellars, subject to the approval of the assistant regional commissioner, may maintain cellar records in a form other than that prescribed by this subpart, provided such substitute records contain all required information in a form permitting ready examination by internal revenue officers. Proprietors desiring to maintain a substitute record shall submit two copies of the proposed record, with typical entries thereon, to the assistant regional commissioner for approval. If the record is found to be satisfactory, the assistant regional commissioner will note his approval thereon, retain one copy and return the other copy to the proprietor.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.914 *Sugar record.* Each proprietor receiving, storing, and using sugar shall keep a separate record of such receipt and use. The record shall show the date of receipt, from whom received, and the kind and quantity. Invoices covering purchases shall be retained in support of this record. When sugar is used for ameliorating or sweetening purposes, the record shall show the date, kind, and quantity used, and the tank or lot number of wine in which used, except that when sugar is used for sweetening wine in reserve inventory, the tank or lot number need not be shown. The sugar record shall also show sugar used in the production of allied products or removed from the premises. At the close of each month the account shall be balanced and the quantity of each kind of sugar remaining on hand shall be shown in such record.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.915 *Separate record of materials received and used.* Each proprietor producing wine shall maintain a separate record showing the receipt, use or other disposition of basic winemaking materials, such as fruit, juice or concentrated juice. The record must show the date of receipt, the quantity received, the name and address of the person from whom received, and the date of use of the materials. If Form 2054 (or a substitute therefor) is maintained, the quantity of material used in each lot will be identified by lot number in the materials record. Where materials are received from others, the invoices or commercial papers showing the receipt will be retained in chronological order in support of the record. If materials are received off bonded premises and subsequently transferred to the bonded premises, the record will be maintained only with respect to material received on the bonded premises and will show the date of transfer and quantity transferred, but the invoices or commercial papers covering the purchase of the materials will also be kept available for inspection. Where grapes (or other fruit) received on the bonded premises are used in producing juice to be stored for future use or for removal, the record will show the quantities of grapes used and juice produced. Where fruit or juice is used to produce concentrated juice the record will show the quantity of fruit or juice used and the quantity of concentrated juice produced. The record must also show the use or other disposition of the juice or concentrated juice produced. At the close of each month the materials account will be balanced and the totals reported on Form 702.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.916 *Varietal and vintage wine records.* Where a proprietor desires to account for and dispose of wine under varietal or vintage designations, complete tank records, or similar records, must be maintained so that the origin of the wine may be verified.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.917 *Record of use of acids.* Each proprietor adding acid to correct a natural deficiency in juice or natural wine as provided in §§ 240.364 and 240.404 shall keep a record showing date of use, the kind and quantity of acid used, the kinds and quantities of wine in which used, and the fixed acid content of the juice or wine prior to the addition of acid. Where acid is used for the stabilization of wines as provided in § 240.526, the proprietor shall keep a record showing date of use, kind and quantity of acid used, and the kinds and quantities of wines in which used.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.918 *Other chemicals.* Where chemicals, preservatives, or materials other than acids are used in the cellar treatment of wine, as authorized in this part, a complete record of the purchase and receipt thereof must be kept at the bonded wine cellar premises available for inspection by internal revenue officers. The record shall show the kinds and quantities of chemicals and other materials received, the date of receipt, and the names and addresses of persons from whom purchased. Invoices covering purchases shall be retained in support of the record. Record of use of all chemicals except filter aids, inert fining agents, and sulphur dioxide compounds, and the acids listed in § 240.917, shall be maintained, showing the kind, quantity, and date of use, and kind and quantity of wine in which used.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.919 *Record of wine baked.* Where wine is baked on bonded wine cellar premises the proprietor shall keep a complete and up-to-date record showing (a) the serial number of each tank, (b) date wine is placed in the tank, (c) quantity and alcohol content of the wine, (d) date baking commenced, (e) date baking completed, (f) date wine removed from tank, and (g) quantity of wine removed and alcohol content thereof. In case wine is baked in barrels or puncheons, the record may be maintained on the basis of groups of such containers filled at one time, rather than for each individual container.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.920 *Record of taxpaid removals from bond.* Proprietors of bonded wine cellars removing wine from bond for consumption or sale on determination of tax shall keep a separate record of wine so removed and make entries therein at the time of removal either to the taxpaid room or for direct shipment. The record must show the date of removal, the name and address of the person to whom shipped, the kind (class and type) and quantity of wine, alcohol content (taxable grade), and serial numbers: *Provided,* That if the serial numbers are placed on the cases at the time of filling and Form 2060 is maintained, the assistant regional commissioner may authorize the proprietor to omit serial numbers from the record of tax paid removals as provided in § 240.561. On sales of one case or less the name and address of the consignee need not be shown. Where the proprietor keeps copies of invoices or other commercial records covering shipments as provided above, and they are kept in chronological order available for inspection and in such manner that the required information may be readily ascertained therefrom by internal revenue officers, the separate record may show the total quantity shipped each day in lieu of the details of each shipment.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.921 *Taxpaid room record.* Where a taxpaid room has been provided in accordance with § 240.145 or is maintained off the bonded premises, the proprietor shall maintain a separate record at such taxpaid room, showing the quantities, serial numbers, kind and alcohol content (taxable grade) of wine received thereat and shipped therefrom, including the dates of receipt and shipment, and the names and addresses of the persons to whom shipped, and the quantities, kind and alcohol content (taxable grade) of wine shipped to each: *Provided,* That on sales of one case or less the name and address of the consignee need not be shown. Where the proprietor keeps copies of invoices or other commercial records covering shipments from the taxpaid room as provided above respecting shipments, and they are kept in chronological order available for inspection and in such manner that the required information may be readily ascertained therefrom by internal revenue officers, the separate record may show the total quantity shipped each day in lieu of the details of each shipment. Where shipments of taxpaid wine are made directly from the bonded wine cellar premises and from the taxpaid room, and the sales record (invoices) does not distinguish between such sales, the proprietor shall then maintain a daily record of the balances of wine remaining in the taxpaid room. Where the proprietor has been authorized to omit serial numbers from the record of taxpaid removals, as provided in § 240.561, serial numbers may likewise be omitted from the taxpaid room record.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.922 *Time of making entries.* All operations and transactions must be entered on daily records or commercial papers on the day on which the transaction occurs, except where records are posted from work orders prepared at the time the transaction occurs, entries may be deferred until the next succeeding business day. If required records are posted from other records, the proprietor shall keep the original of the other record.

(68A Stat. 666; 26 U. S. C. 5367)

RETENTION OF RECORDS

§ 240.923 *Filing of forms.* The proprietor shall file his retained copies of reports and records separately by form number, in chronological order, in bound or other secure form. Form 702-C shall be filed with the Form 702 to which it pertains.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.924 *Period of retention.* All records, including all monthly reports and all separate records (or commercial papers kept in lieu thereof) must be retained by the proprietor for a period of three years: *Provided,* That the assistant regional commissioner or the Director, Alcohol and Tobacco Tax Division may require records to be kept an additional period of not exceeding three years in any case where such retention is deemed necessary or advisable.

(68A Stat. 666; 26 U. S. C. 5367)

§ 240.925 *Records available for inspection.* All records required to be kept at the bonded wine cellar shall be subject to inspection by internal revenue officers at any reasonable hour, and shall be filed in such manner that they may be readily inspected by the officers.

(68A Stat. 666; 26 U. S. C. 5367)

SUBPART VV—MISCELLANEOUS PROVISIONS

§ 240.940 *Exceptions to construction and equipment requirements.* The Director, Alcohol and Tobacco Tax Division, may approve details of construction and equipment in lieu of those specified in this part where it is shown that it is impracticable to conform to the prescribed specifications, and the proposed construction and equipment will afford as much or more security and protection to the revenue as is intended by the specifications prescribed in this part and where such variations will not be contrary to any provision of law. Where it is proposed to substitute construction and equipment for that for which specifications are prescribed, prior approval must be obtained in accordan. e with the provisions of § 240.942.

§ 240.941 *Exceptions to methods of operation.* The Director, Alcohol and Tobacco Tax Division, may, in case of emergency, approve methods of operation other than those provided for by this part, where it is shown that variations from the requirements are necessary, will not hinder the effective administration of this part, will not jeopardize the revenue, and where such variations are not contrary to any provision of law. Where it is proposed to employ methods of operation other than those provided for by this part, prior approval must be obtained in accordance with the provisions of § 240.942.

§ 240.942 *Application.* A proprietor who proposes to employ methods of operation or construction or to install equipment, other than as provided in this part, shall submit a letterhead application so to do, in triplicate, to the assistant regional commissioner. Such application shall describe the proposed variations and state the need therefor. Where variations in construction and equipment cannot be adequately described in the application, drawings or photographs shall also be submitted. The assistant regional commissioner will make such inquiry as is necessary to determine the necessity for the variations and whether approval thereof will hinder the effective administration of this part or result in jeopardy to the revenue. On completion of the inquiry, the assistant regional commissioner will forward two copies of the application to the Director, Alcohol and Tobacco Tax Division, together with a report of his findings and his recommendation.

§ 240.943 *Assessment of tax.* If an investigation or an examination of records discloses that liability for wine tax, distilled spirits tax, rectification tax, or occupational tax, has been incurred by the proprietor of a bonded winery or a bonded wine cellar, the assistant regional commissioner will notify the proprietor by letter of the basis and the amount of the proposed assessment in order to afford him an opportunity to submit a protest, with supporting facts, within thirty days, or to request a conference with regard to the tax liability.

SUBPART WW—EXAMINATION OF PREMISES

§ 240.950 *Officer's right of entry and examination.* Internal revenue officers have authority under the law to inspect at any reasonable hour the records, stocks, and premises of bonded wine cellars (including any portion of the premises designated as bonded wine warehouse) to determine that all provisions of the internal revenue laws and regulations are being complied with. Officers desiring to make inspections will identify themselves by exhibiting credentials. Any denial of or interference with such inspection by the proprietor, his agents, or employees, is a violation of law and will be reported as such for appropriate action.

(68A Stat. 872, 903; 26 U. S. C. 7342, 7606)

SUBPART XX—CALCULATIONS FOR WINE PRODUCTION

§ 240.960 *Limitations on amelioration for fruits and berries other than currants, gooseberries or loganberries.* If the acid of the juice does not exceed 5 grams per thousand ml., no addition of water is allowed, except that sufficient water may be added to reduce the total solids content to 22 degrees Brix, regardless of acid content. The acid content shall be calculated before fermentation and as tartaric acid in the case of grape wine, as malic acid in the case of apple wine, and as citric acid for other fruit and berry wines. If the acid of the juice is in excess of 5 grams per thousand ml., the addition of ameliorating material is allowed in sufficient quantity to reduce the acid to not less than 5 grams per thousand ml: *Provided,* That in no event shall the volume of such ameliorating material exceed 35 percent of the total volume of such ameliorated juice.

§ 240.961 *Volume of ameliorating material allowed for each 1,000 gallons of juice for various acid content (except currants, gooseberries, or loganberries).*

TABLE I

Grams acid per thousand milliliters in juice:	*Gallons ameliorating material allowed for each 1,000 gallons of juice*
5.0 or less	None
5.1	20.0
5.2	40.0
5.3	60.0
5.4	80.0
5.5	100.0
5.6	120.0
5.7	140.0
5.8	160.0
5.9	180.0
6.0	200.0
6.1	220.0
6.2	240.0
6.3	260.0
6.4	280.0
6.5	300.0
6.6	320.0
6.7	340.0
6.8	360.0
6.9	380.0
7.0	400.0
7.1	420.0
7.2	440.0
7.3	460.0
7.4	480.0
7.5	500.0
7.6	520.0
7.69 or over	538.4

§ 240.962 *Limitations on amelioration for currants, gooseberries, or loganberries.* The quantity of ameliorating material allowed for juice of currants, gooseberries, or loganberries shall not reduce the acid to less than 5 grams per thousand ml.: *Provided,* That in no event shall the volume of such ameliorating material exceed 60 percent of the total volume of such ameliorated juice. For acidities below 7.7 grams per thousand ml. the quantity shown in Table I may be used and for greater acidities Table II shows the allowable quantities of ameliorating material.

TABLE II

Grams acid per thousand milliliters in juice:	*Gallons ameliorating material allowed for each 1,000 gallons of juice*
7.7	540
7.8	560
7.9	580
8.0	600
8.1	620
8.2	640
8.3	660
8.4	680
8.5	700
8.6	720
8.7	740
8.8	760
8.9	780
9.0	800
9.1	820
9.2	840
9.3	860
9.4	880
9.5	900
9.6	920
9.7	940
9.8	960
9.9	980
10.0	1,000
10.1	1,020
10.2	1,040
10.3	1,060
10.4	1,080
10.5	1,100
10.6	1,120
10.7	1,140
10.8	1,160
10.9	1,180
11.0	1,200
11.1	1,220
11.2	1,240
11.3	1,260
11.4	1,280
11.5	1,300
11.6	1,320
11.7	1,340
11.8	1,360
11.9	1,380
12.0	1,400
12.1	1,420
12.2	1,440
12.3	1,460
12.4	1,480
12.5 or over	1,500

DETERMINATION OF THE ACIDITY OF JUICE

§ 240.963 *Apparatus necessary.* (a) Burette, 50 ml., graduated to 1/10 ml.; (b) Burette stand; (c) Transfer pipettes, 5, 10, and 20 ml.; (d) Medicine dropper; (e) Stirring rods; (f) Glass funnels, 90 mm. (approx. 3.6" inside diameter, 160 mm. stem approx. 6.3"); (g) Flasks (Erlenmeyer approx. 500 ml.); (h) Graduated cylinder (100 ml.); (i) Beakers, 250 ml.; (j) Absorbent cotton; (k) Porcelain dishes, 7" or 8" in diameter; and (l) Filter paper (folded, No. 12, 24–0 cms.). (Note.—When pipettes, burettes, or flasks marked "cc.," instead of "ml.," are used, the same quantities should be measured, the units of measure "ml."

and "cc." being the same for practical purposes.)

§ 240.964 *Solutions necessary.* (a) N/10 sodium hydroxide, exact.

(b) Indicator, phenolphthalein solution, 1 gram per 100 ml. of neutral alcohol.

§ 240.965 *Use and care of the burette.* Before using the burette the stopcock should be greased while dry with a very little vaseline or stopcock grease. It should then be washed thoroughly inside with a soapy-water solution and rinsed thoroughly, first with water and then twice with the N/10 sodium hydroxide, care being taken that all of the interior of the burette comes in contact with the rinsing liquid. The burette is then filled to the top with N/10 sodium hydroxide, placed in a stand, and after standing for a minute the level of the liquid is brought exactly to the 0 mark by opening the stopcock. The instrument is now ready for use. After using the burette it should be emptied, washed with water, and placed inverted in the stand, with the cock open until needed again. Under no condition should the N/10 sodium hydroxide be permitted to remain in the burette overnight.

§ 240.966 *Use and care of the pipette.* The pipette is used to measure the amount of juice to be used for ascertaining the quantity of acid. The juice is sucked with the mouth into the pipette until the level of the liquid is about an inch above the mark, the finger is quickly placed over the end, and the juice allowed to flow out slowly until the mark is reached. The pipette now holds the amount of juice needed for the acid determination. The contents should then be run into the porcelain dish. A little practice makes the operation of the pipette very easy. Before using the pipette it should always be rinsed thoroughly with the juice to be tested, and after using should be washed with water.

§ 240.967 *Selection of sample.* Endeavor to obtain a sample representative of the whole lot or container of juice to be tested. If the juice can not be mixed thoroughly, take equal portions from different parts of the container and then mix these portions thoroughly. A sufficient amount is then filtered through a small pad of absorbent cotton or filter paper placed in the funnel, using a flask to catch the filtered juice.

§ 240.968 *Measuring the sample of juice.* Before measuring the sample of juice, remove the gas (CO_2) contained in the sample by placing the hand tightly over the mouth of the flask and shaking vigorously for about half a minute. Let the gas escape and repeat the operation several times until the gas has been removed. This is important, for the reason that this gas has acid properties which would affect the result and because it is impossible to measure correctly a juice containing gas.

§ 240.969 *The titration.* Place 250 or 300 ml., or more, of distilled water in the large porcelain dish and neutralize with the N/10 sodium hydroxide solution to a distinct pink color, using 1 medicine dropper of the phenolphthalein indicator solution. The quantity of sample of juice to be measured and titrated depends on the depth of the color of the juice; it is generally 5 ml. for deeply colored red juice and 10 ml. or less for white juice. Measure the sample of juice accurately in the proper pipette and run it into the neutralized distilled water in the porcelain dish. Then titrate rapidly by running the standard N/10 sodium hydroxide solution from the burette into the diluted sample contained in the porcelain dish, stirring continuously, until a distinct pink color has been obtained. The number of ml. of the N/10 sodium hydroxide solution required to produce the desired color should then be read on the burette. To determine the amount of acid, in grams per thousand ml., contained in grape juice, divide the burette reading by the number of ml. of the sample taken and multiply by the factor 7.5. The result is the number of grams of acid calculated as tartaric in 1,000 ml. of the juice. For all berry wines, multiply by the factor 7.0, and for apple wine multiply by 6.7, to obtain the grams of acid calculated as citric and malic, respectively, contained in 1,000 ml. of juice.

§ 240.970 *Examples.* A 10 ml. sample of a white juice (grape) gave a burette reading of 6.4 ml. Calculate the acid content

$6.4 \div 10 \times 7.5 = 4.8$ grams per 1,000 ml.

A 5.0 ml sample of a red juice (grape) gave a burette reading of 4.2 ml. Calculate the acid content

$4.2 \div 5 \times 7.5 = 6.3$ grams per 1,000 ml.

A 5.0 ml. sample of blackberry juice gave a burette reading of 5.8 ml. Calculate the acid content

$5.8 \div 5 \times 7.0 = 8.12$ grams per 1,000 ml.

§ 240.971 *Precautions for the titration.* When placing the N/10 sodium hydroxide solution in the burette read the lowest part of the meniscus (or quarter moon) as the level of the liquid, and take the same level in the final reading. Remember these facts: The bottle containing the N/10 sodium hydroxide must always be kept stoppered when not in use and nothing should be allowed to enter this bottle; if some of the N/10 sodium hydroxide in the burette is not needed, throw it away—do not pour it back into the bottle.

DETERMINATION OF TOTAL SOLIDS AND SUGAR SOLIDS

§ 240.972 *Total solids in juice.* Use a Brix saccharometer. Pour as much juice into a glass cylinder as is necessary to float the saccharometer, which should be carefully lowered into the juice in such a way that the surface of the stem above the liquid is not moistened. The instrument should float freely and not touch the bottom or walls of the cylinder. Read the scale on the stem at the intersection of the surface of the liquid. Remove the saccharometer and determine the temperature of the juice. Make correction for temperature according to Table III.

§ 240.973 *Correction to be applied to the reading of the Brix saccharometer for different temperatures.* This table shows the correction to be applied to the reading of the Brix saccharometer at different temperatures, in case the saccharometer is calibrated to read correctly at 60 degrees Fahrenheit. If the saccharometer is calibrated for a different temperature, other correction tables must be used, or the liquid brought to the proper temperature before using the saccharometer.

TABLE III

	Temperature	Degree Brix 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	°F																					
To be subtracted from the indicated degree	50	0.17	0.17	0.18	0.19	0.20	0.20	0.21	0.21	0.22	0.22	0.22	0.23	0.23	0.24	0.24	0.24	0.25	0.25	0.25	0.26	0.26
	51	.16	.16	.17	.18	.19	.19	.20	.20	.21	.21	.21	.22	.22	.23	.23	.23	.24	.24	.24	.24	.25
	52	.15	.15	.16	.17	.18	.18	.18	.19	.19	.19	.19	.19	.20	.20	.21	.21	.22	.22	.22	.22	.23
	53	.14	.14	.14	.15	.16	.16	.16	.17	.17	.18	.18	.18	.18	.19	.19	.19	.19	.20	.20	.20	.20
	54	.12	.12	.13	.14	.15	.15	.15	.16	.16	.16	.16	.17	.17	.17	.17	.17	.18	.18	.18	.18	.18
	55	.09	.09	.09	.10	.11	.11	.11	.12	.12	.12	.12	.13	.13	.13	.14	.14	.14	.14	.14	.14	[illegible]
	56	.07	.07	.07	.08	.09	.09	.09	.09	.10	.10	.10	.10	.11	.11	.11	.11	.11	.11	.11	.11	.11
	57	.06	.06	.06	.07	.07	.07	.07	.07	.08	.08	.08	.08	.08	.09	.09	.09	.09	.10	.10	.10	.10
	58	.04	.04	.04	.05	.05	.05	.05	.05	.06	.06	.06	.06	.06	.07	.07	.07	.07	.07	.07	.07	.07
	59	.02	.02	.02	.02	.02	.02	.02	.02	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03
	60																					
To be added to the indicated degree	61	.02	.02	.02	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03	.03
	62	.06	.06	.07	.07	.08	.08	.08	.08	.08	.08	.09	.09	.09	.09	.09	.09	.09	.09	.09	.09	.09
	63	.09	.10	.10	.11	.11	.11	.11	.11	.11	.11	.12	.12	.12	.12	.12	.12	.12	.12	.12	.12	.12
	64	.12	.12	.13	.13	.14	.14	.14	.14	.15	.15	.15	.15	.16	.16	.17	.17	.17	.17	.17	.17	.17
	65	.14	.15	.15	.16	.17	.17	.17	.17	.18	.18	.18	.19	.19	.19	.20	.20	.20	.20	.20	.20	.20
	66	.17	.17	.18	.19	.20	.20	.21	.21	.21	.22	.22	.23	.23	.23	.24	.24	.24	.24	.24	.24	.24
	67	.20	.21	.21	.22	.23	.23	.23	.24	.24	.25	.25	.25	.26	.26	.27	.27	.27	.27	.27	.27	.27
	68	.22	.23	.24	.25	.26	.26	.27	.28	.28	.29	.29	.30	.30	.31	.31	.31	.31	.31	.31	.31	.31
	69	.25	.26	.27	.28	.29	.29	.30	.31	.31	.32	.32	.33	.33	.34	.34	.34	.34	.34	.34	.34	.34
	70	.28	.29	.30	.31	.32	.32	.33	.34	.34	.35	.35	.36	.36	.37	.37	.37	.37	.38	.38	.38	.38
	71	.31	.32	.33	.34	.35	.35	.36	.37	.37	.38	.38	.39	.39	.40	.40	.40	.40	.40	.40	.40	.41
	72	.34	.35	.36	.37	.38	.39	.40	.41	.42	.42	.42	.43	.43	.43	.44	.44	.44	.44	.44	.44	.44
	73	.37	.38	.40	.41	.42	.43	.44	.44	.45	.46	.46	.46	.46	.47	.47	.47	.47	.47	.47	.47	.47
	74	.40	.42	.43	.45	.46	.47	.48	.48	.49	.50	.50	.50	.51	.51	.51	.51	.51	.52	.52	.52	.52
	75	.44	.46	.47	.49	.50	.51	.52	.52	.53	.54	.54	.54	.55	.55	.56	.56	.56	.57	.57	.58	.58
	76	.47	.48	.50	.52	.53	.54	.55	.55	.56	.57	.57	.58	.58	.59	.60	.60	.61	.61	.61	.62	.62
	77	.50	.52	.54	.56	.57	.58	.59	.60	.60	.61	.61	.62	.62	.63	.63	.63	.64	.64	.64	.65	.65
	78	.53	.54	.56	.58	.60	.61	.62	.62	.63	.64	.64	.65	.65	.66	.66	.66	.67	.67	.68	.68	.68
	79	.57	.58	.60	.62	.64	.65	.66	.66	.67	.68	.68	.69	.69	.70	.70	.70	.71	.71	.71	.72	.72
	80	.60	.62	.64	.66	.68	.69	.70	.70	.71	.72	.72	.72	.73	.73	.74	.74	.75	.75	.75	.76	.76
	81	.63	.65	.67	.69	.71	.72	.73	.73	.74	.75	.75	.76	.76	.77	.78	.78	.79	.79	.79	.79	.79
	82	.67	.69	.71	.73	.76	.76	.77	.77	.78	.78	.79	.80	.80	.81	.82	.82	.83	.83	.84	.84	.84
	83	.72	.74	.76	.78	.81	.81	.81	.82	.82	.82	.83	.84	.85	.86	.87	.87	.87	.87	.87	.87	.88
	84	.77	.79	.81	.83	.86	.86	.86	.86	.87	.87	.88	.89	.90	.91	.92	.92	.93	.93	.93	.93	.94
	85	.83	.85	.87	.89	.91	.92	.92	.92	.93	.93	.94	.95	.96	.97	.98	.98	.98	.99	.99	.99	.99
	86	.88	.90	.92	.94	.96	.96	.97	.98	.98	.99	1.00	1.01	1.02	1.02	1.03	1.03	1.04	1.04	1.04	1.05	1.05
	87	.94	.96	.98	.99	1.01	1.02	1.03	1.03	1.04	1.05	1.05	1.06	1.07	1.07	1.08	1.08	1.09	1.10	1.10	1.11	1.11
	88	.99	1.01	1.03	1.04	1.06	1.07	1.08	1.09	1.10	1.11	1.11	1.12	1.12	1.13	1.13	1.14	1.15	1.15	1.16	1.17	1.17
	89	1.05	1.07	1.09	1.10	1.11	1.12	1.13	1.14	1.15	1.16	1.16	1.17	1.17	1.18	1.18	1.19	1.21	1.21	1.22	1.23	1.23
	90	1.11	1.13	1.15	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.23	1.23	1.24	1.24	1.25	1.27	1.28	1.29	1.30	1.30
	91	1.15	1.17	1.19	1.20	1.21	1.22	1.23	1.24	1.26	1.27	1.27	1.27	1.28	1.28	1.29	1.30	1.32	1.33	1.34	1.35	1.36
	92	1.20	1.22	1.24	1.25	1.26	1.27	1.28	1.30	1.31	1.32	1.32	1.33	1.33	1.34	1.34	1.35	1.37	1.38	1.39	1.40	1.41
	93	1.24	1.26	1.28	1.29	1.31	1.32	1.33	1.34	1.36	1.37	1.37	1.38	1.39	1.39	1.40	1.40	1.42	1.43	1.44	1.44	1.45
	94	1.29	1.31	1.33	1.35	1.36	1.37	1.39	1.40	1.41	1.42	1.42	1.43	1.44	1.44	1.45	1.45	1.47	1.47	1.48	1.49	1.50
	95	1.33	1.35	1.37	1.39	1.41	1.42	1.44	1.45	1.46	1.47	1.47	1.48	1.49	1.49	1.50	1.50	1.51	1.52	1.53	1.54	1.54
	96	1.38	1.40	1.42	1.44	1.46	1.47	1.49	1.50	1.51	1.52	1.52	1.53	1.54	1.54	1.55	1.56	1.56	1.57	1.57	1.58	1.58
	97	1.42	1.44	1.46	1.48	1.51	1.52	1.54	1.55	1.56	1.57	1.57	1.58	1.59	1.59	1.60	1.60	1.62	1.62	1.63	1.63	1.64
	98	1.47	1.49	1.51	1.54	1.56	1.57	1.58	1.59	1.60	1.62	1.63	1.67	1.64	1.64	1.65	1.65	1.66	1.67	1.67	1.68	1.68
	99	1.51	1.53	1.55	1.58	1.61	1.62	1.63	1.64	1.66	1.67	1.68	1.68	1.69	1.70	1.71	1.71	1.72	1.73	1.73	1.73	1.74
	100	1.55	1.57	1.59	1.62	1.66	1.67	1.68	1.69	1.72	1.72	1.73	1.73	1.74	1.76	1.27	1.77	1.78	1.79	1.79	1.79	1.80

N. B. The correction for indications between 21° and 30° Brix and 50° and 70° F. temperature may be made by adding 0.005 to each correction given in the above table, column 21°, for each increase in degree Brix. For instance, 25° Brix 79°F., correction to be added to column 21° and 70°, 0.02 + 0.38 = 0.40.

§ 240.974 *Explanation of Table III.* Where the temperature of the juice is other than 60 degrees Fahrenheit, the saccharometer reading of the juice must be corrected for temperature according to this table, in order to determine the true Brix of the juice. When the temperature of the juice is below 60 degrees Fahrenheit, the correction shown by the table should be deducted from the saccharometer reading, and when the temperature of the juice is above 60 degrees Fahrenheit the indicated correction should be added to the reading. For example, if the saccharometer reading is 20 degrees Brix and the temperature is 75 degrees F., Table III shows that correction for this reading and temperature is 0.58, which should be added to the reading. Therefore, 20°+0.58°=20.58° total solids.

§ 240.975 *Total solids and sugar solids in wine.* Total solids content of wine means the degrees Brix of the dealcoholized wine, and is approximately equal to the percent of solids by weight in the dealcoholized wine. The total solids may be determined by dealcoholizing a measured volume of wine, restoring to the original volume with water, and determining the degrees Brix of this solution according to the instructions in §§ 240.972 to 240.974. An approximate value for the sugar solids content of wine (percent of sugar by weight of the dealcoholized wine) may be obtained by subtracting 2 from the degrees Brix as determined above. For accurate determination of the sugar solids content of wine, use the method described in Official Methods of Analysis of the Association of Official Agricultural Chemists, Seventh Edition, 1950, Chapter 11.

USE OF DRY SUGAR TO CORRECT JUICE (OTHER THAN GRAPE) TO 23 DEGREES BRIX

§ 240.976 *Instructions.* § 240.978 (Table IV) shows the pounds of dry sugar required to raise the total solids content of one gallon of juice to 23 degrees Brix with commercial dextrose (1 molecule of water of crystallization) or cane or beet sugar. This table should be used in determining the quantity of dry sugar that may be added to fruit and berry juice to correct natural deficiencies in the juice.

§ 240.977 *Example.* Find the amount of dry cane sugar required to raise the total solids content of 500 gallons of juice from 12 degrees Brix to 23 degrees Brix, and the resultant gallonage.

(a) Find the figure 12 in the left hand column of Table IV.

(b) Opposite the figure 12, the pounds of cane sugar required for each gallon of juice is found in the fourth column, and is 1.2475.

(c) 1.2475×500=623.75 pounds of cane sugar.

(d) Opposite the figure 12, the resultant gallonage for each gallon of juice is found in the last column on the right, and is 1.0924.

(e) 1.0924×500=546.2 gallons of corrected juice.

§ 240.978 *Pounds of commercial dextrose or cane or beet sugar required to raise one gallon of juice to 23 degrees Brix and the resultant gallonage.*

TABLE IV

Brix of juice	Pounds dextrose	Resultant gallonage	Pounds cane or beet sugar	Resultant gallonage
0	2.8206	1.2203	2.4877	1.1836
1	2.7084	1.2115	2.3887	1.1765
2	2.5955	1.2027	2.2890	1.1692
3	2.4815	1.1939	2.1886	1.1647
4	2.3589	1.1841	2.0804	1.1536
5	2.2511	1.1759	1.9853	1.1434
6	2.1343	1.1668	1.8823	1.1382
7	2.0168	1.1577	1.7787	1.1316
8	1.8984	1.1485	1.6743	1.1239
9	1.7788	1.1391	1.5688	1.1161
10	1.6584	1.1297	1.4626	1.1083
11	1.5370	1.1203	1.3556	1.1004
12	1.4145	1.1107	1.2475	1.0924
13	1.2852	1.1004	1.1335	1.0838
14	1.1335	1.0877	1.0291	1.0763
15	1.0414	1.0815	.9184	1.0681
16	.9149	1.0716	.8069	1.0598
17	.7875	1.0617	.6945	1.0515
18	.6590	1.0516	.5812	1.0442
19	.5294	1.0415	.4669	1.0346
20	.3986	1.0312	.3516	1.0261
21	.2668	1.0209	.2353	1.0174
22	.1340	1.0105	.1182	1.0088
23	----------	1.0000	----------	1.0000

DILUTION OF CONCENTRATED JUICE

§ 240.979 *Instructions.* Section 240.980 (Table V) shows the gallons of water required to reduce one gallon of concentrated juice to a desired degree Brix.

according to the Brix of the concentrated juice and the Brix to which it is desired to reduce the concentrated juice. When it is desired to produce standard wine from concentrated juice in accordance with § 240.353, Table V should be used in calculating the quantity of water required to reduce the concentrate to the original Brix of the juice or to 22 degrees Brix.

§ 240.980 *Gallons of water required to reduce 1 gallon of concentrated juice to a desired degree Brix.*

TABLE V

Explanation.—Reduce concentrate from 70° to 20° Brix. Opposite 70 Brix for concentrate and in column 20 Brix is 3.3791, which is the gallons of water required for each gallon of concentrate.

Brix of concentrate	Brix desired after dilution								
	18	19	20	21	22	23	24	25	26
	Gallons of water required per gallon of concentrate								
62	3.1834	2.9473	2.7349	2.5426	2.3678	2.2083	2.0620	1.9274	1.8032
63	3.2708	3.0298	2.8129	2.6167	2.4382	2.2753	2.1250	1,9887	1.8619
64	3.3590	3.1131	2.8917	2.6914	2.5093	2.3431	2.1907	2.0760	1.9210
65	3.4480	3.1970	2.9711	2.7668	2.5810	2.4114	2.2559	2.1128	1.9807
66	3.5377	3.2817	3.0513	2.8428	2.6553	2.4802	2.3216	2.1757	1.0410
67	3.6282	3.3671	3.1321	2.9195	2.7262	2.5498	2.3880	2.2391	2.1018
68	3.7196	3.4534	3.2138	2.9970	2.7999	2.6199	2.4550	2.2984	2.1631
69	3.8118	3.5404	3.2961	3.0750	2.8741	2.6907	2.5225	2.3678	2.2250
70	3.9047	3.6281	3.3791	3.1538	2.9490	2.7620	2.5906	2.4329	2.2874
71	3.9985	3.7166	3.4629	3.2333	3.0246	2.8341	2.6594	2.4987	2.3504
72	4.0932	3.8059	3.5474	3.3135	3.1009	2.9067	2.7680	2.5650	2.4139
73	4.1886	3.8960	3.6327	3.3944	3.1778	2.9801	2.7988	2.6320	2.4780
74	4.2849	3.9945	3.7187	3.4760	3.2554	3.0540	2.8694	2.6995	2.5427
75	4.3821	4.0786	3.8055	3.5584	3.3337	3.1286	2.9406	2.7676	2.6080

EBULLIOMETERS

§ 240.981 *General characteristics.* Ebulliometers are instruments for determining the percent of alcohol in solution in water, but when proper dilution is made because of dissolved sugar, they can be used to ascertain the alcohol content of wines. Alcoholic solutions boil at lower temperatures than water, and ebulliometers determine differences in boiling points, which are referred to tables or sliding scales to find the corresponding percentage of alcohol. Because boiling points are affected by atmospheric changes, the boiling point of water should be determined several times a day.

§ 240.982 *Kinds of ebulliometers authorized.* The Malligand (with shield), E. B. Torino (with shield), Arnoldo-Sala (with shield), and L'Ebulliometer Levesque (with shield) ebulliometers have been approved for testing wine. All of these ebulliometers are of the Malligand type, and the directions for their use are the same. The Juerst, Tag-Twin (with shield), Lefco, Salleron-DuJardin, and Braun ebulliometers have also been approved for testing wine. Directions for the use of all of these instruments are outlined in the following sections.

§ 240.983 *Dilution of wine.* It is a general rule that all wines should be diluted before testing so that the difference between the boiling point of water and that of the wine is not greater than 4. The error in the indicated percent alcohol will then be less than 0.1 percent regardless of sugar content and for practical purposes is negligible. Dilutions should be made by measuring 100 ml., 50 ml., or 20 ml. of the wine with a pipette and running it into a 200 ml. narrow-necked, volumetric flask. Then add sufficient water of the same temperature as the wine to bring the liquid to precisely the 200 ml. mark on the flask. This gives a sufficient quantity for the test and for rinsing the boiler prior to making the test. The wine and water should be thoroughly mixed. When pipettes or flasks marked "cc.," instead of "ml.," are used, the same quantities should be measured, the units of measure "ml." and "cc." substantially being the same. The wine should not be diluted to a greater extent than that necessary to bring the boiling point of the diluted wine within 4 degrees of the boiling point of water, but one of the quantities of wine (100 ml., 50 ml., or 20 ml.) specified above should always be used. The degree of dilution required will depend upon the sugar and alcohol content of the wine. Experience in testing various types of wine will usually indicate the degree of dilution required. When a test shows a difference of more than 4 between the boiling point of water and that of the diluted wine, it is necessary to make another test, using a lesser quantity of wine. In measuring the quantity of wine to be diluted for testing, a pipette of the same size (capacity) as the quantity of wine to be diluted must be used and the wine measured precisely to the mark. In adding water for dilution, care must be used to fill the flask precisely to the 200 ml. line. Inaccurate dilution is one of the principal causes of incorrect tests. Because of the dilution, where 100 ml. of wine is used, the percentage of alcohol indicated by the test must be multiplied by 2; where 50 ml. of wine is used, the result must be multiplied by 4; and where 20 ml. of wine is used, the result must be multiplied by 10.

§ 240.984 *Determining boiling point.* Before each test to determine the boiling point of water or diluted wine, the boiler should first be drained of any liquid that may remain therein and then rinsed with a portion of the liquid (water or diluted wine) to be tested. After such rinsing, the boiler should be thoroughly drained before another portion of the material (water or diluted wine) to be tested is poured into the boiler. The rinsings should not be used to make the test. In determining the boiling point of water, when steam comes out of the top of the instrument, which indicates that the water has started to boil, watch the thermometer. The point at which the mercury remains constant is the boiling point of the water. In determining the boiling point of diluted wine, when the mercury in the thermometer begins to rise, readings should be made every 15 seconds and written on a slip of paper. The point at which the mercury remains stationary for several consecutive observations is the boiling point of the diluted wine. Readings should be estimated between the smallest divisions of the thermometer scale. For example, if the thermometer scale is in tenths of a degree and the top of the mercury column is between two of the lines, the difference should be estimated and read accordingly, as 98.95 degrees, and such reading used in referring to the table or sliding scale. Inaccurate thermometer readings are a principal cause of incorrect results.

§ 240.985 *Care of instrument.* Cleanliness of the boiler is important because scale or residue will cause bumping and produce rapid fluctuations of the thermometer, which make correct readings impossible. The boiler should be flushed several times with water after each determination. After about 50 determinations, an approximately 2 percent solution of caustic soda should be put in the boiler and boiled for about one minute. The boiler should then be flushed thoroughly with water, after which two determinations of the boiling point of water should be made. If these readings do not agree, more washing of the boiler with water is required. When attaching the condenser to the boiler, be sure the washer is placed on the connection between the condenser and the boiler, and see that the condenser is screwed tightly to the boiler before using; otherwise, leakage will occur and the reading will be incorrect.

§ 240.986 *Alcohol lamp.* The alcohol lamp must be kept clean and well filled with denatured alcohol. From time to time the lamp must be emptied, cleaned out, and refilled with clean denatured alcohol. The wick should be kept in good condition. The tip should be trimmed where it becomes burned through a scanty supply of alcohol, and the wick should be replaced as soon as it becomes too short to reach well down into the alcohol. The flame of the lamp (or gas burner, if used instead of the lamp) should be shielded from drafts and should be adjusted so that about eight minutes elapse before the thermometer begins to rise when the boiler contains water or diluted wine. Do not force rapid boiling. Do not continue heating after the condenser has become very warm.

BRAUN EBULLIOMETER

§ 240.987 *General.* The percentage of alcohol content is read by means of the alcohol percentage calculator included with the instrument. The revolving disk of the calculator is graduated in degrees centigrade corresponding to the graduations on the thermometer. The graduations on the outer circle of the calculator represent percentages of alcohol by volume. Attach the condenser to the threaded opening on top of the ebulliometer. Place the instrument on a level table and shield it from drafts which may cause unsteady temperature conditions.

§ 240.988 *Determination of boiling point of water.* Fill the graduated measuring glass with water up to the line marked "25 ml." Pour this quantity of water into the instrument through the opening provided for the thermometer at the top of the ebulliometer. Now place the thermometer in this opening, being sure that rubber stopper fits snugly. Fill the condenser jacket with water. Light the alcohol burner and place it in the fork of the ebulliometer directly under the circular chimney. Adjust the length of the lamp wick so that the point of the flame will hit the horizontal tube. The rising temperature of the water will be indicated by the thermometer. When the water reaches its boiling point the thermometer reading will remain constant. Read this boiling point temperature accurately. Take the calculator and set the revolving disk so that the figure on it corresponding to the boiling point of the water is exactly opposite the zero mark on the outer circle. Clamp the disk firmly in this position by means of the screw in the center of the disk. Drain the water completely from the instrument through the petcock at the front. Empty the water from the condenser. Remove the thermometer from the instrument. Cool the instrument and thermometer to room temperature.

§ 240.989 *Determination of boiling point of diluted wine.* Be sure that all water previously used in cylinder is removed before putting in diluted wine. Rinse the instrument thoroughly with a portion of the diluted wine to be tested and drain carefully. Fill measuring cylinder up to 50 ml. mark with another portion of the diluted wine. Pour this 50 ml. of diluted wine into the instrument and replace condenser and thermometer. Fill condenser with cool water and apply heat to instrument by means of the burner as before. Continue heat until thermometer reading becomes constant. Heating should not be continued after the condenser has become very warm. Read thermometer accurately. This reading is the boiling point of the diluted wine.

§ 240.990 *Reading alcohol percentage.* Locate the boiling point of the diluted wine on inner disk. Read exactly opposite this graduation mark the percentage content on the outer circle. This gives the percentage of alcohol by volume in the diluted wine. This result should be multiplied by 2, 4, or 10, according to the ratio of water used to dilute the wine.

§ 240.991 *Precautions.* In using the ebulliometer, the following precautions should be observed:

(a) Always be sure that condenser is screwed tightly to the instrument body, and that rubber stopper on the thermometer is fitted snugly in the proper opening on top of the instrument.

(b) Be sure that exactly 50 ml. of water or diluted wine is accurately measured and that the entire 50 ml. is poured in the instrument.

(c) Always be sure that measuring glass and instrument are clean and free of liquid before adding either water or wine.

(d) Be sure that rotating disk is always clamped securely after setting for boiling point of water and that this setting is not changed before reading the boiling point of diluted wine and the alcohol content.

(e) Be sure that thermometer shows constant temperature before reading boiling points.

JUERST EBULLIOMETER

§ 240.992 *Determination of the boiling point of water.* Rinse the instrument twice with ordinary water. In doing so pour an approximate glass tube full of water through one of the openings into the ebulliometer. Take the instrument in your left hand and close the two openings on top of the instrument with the index and middle fingers, shake slightly and empty. Now measure in the glass tube as much water as is indicated by the top mark and pour it into the ebulliometer. Fasten the empty condenser to the ebulliometer. Place the thermometer into the opening in front of the condenser. The lamp, which is to be filled with denatured alcohol, should now be lit and put under the instrument. In order to protect the thermometer from heat, the little shield should always be fastened to the top of the heating tubes. Within about eight or nine minutes the mercury in the thermometer commences to rise. When steam comes out of the top of the condenser, indicating that the water has commenced to boil, watch the thermometer until the mercury remains stationary. The temperature at which the water boils is then noted.

§ 240.993 *Determination of the boiling point of the wine.* After the boiling point of the water has been determined, remove the thermometer, empty the ebulliometer, drain it through the draining cock and blow out any liquid which may have remained in the condenser and in the instrument. Rinse the ebulliometer twice with 50 ml. of the diluted wine which is to be tested. Drain the instrument through the draining cock. Fill the glass tube to the top mark with the diluted wine, which must be well decarbonated, and pour it into the ebulliometer through the thermometer opening. Insert the thermometer. Fill the condenser with water. Light the alcohol lamp. When the mercury remains stationary, which will be after 10 or 12 minutes from the time the alcohol lamp has been lit, the temperature should be read and noted.

§ 240.994 *Reading of the alcohol table.* Example: The boiling point of water was found to be 10.00 and that of the diluted wine 6.00. Subtract the one figure from the other and look up the corresponding percentage of alcohol by volume in Table VI.

For instance:

10.00—(Boiling point of water).
6.00—(Boiling point of diluted wine).
4.00—(Difference of the two boiling points).

According to the above difference of 4.00 we find in Table VI the corresponding percentage of 4.53 percent alcohol by volume, which, multiplied by 2, because of the dilution (addition of an equal part of water to the wine tested), shows that the wine contains 9.06 percent of alcohol by volume.

§ 240.995 *Alcohol Table for Juerst's ebulliometer.*

TABLE VI

Difference between the boiling points	*Percent alcohol by volume*	*Difference between the boiling points*	*Percent alcohol by volume*
0.05	0.05	0.78	0.79
0.06	.06	0.79	.81
0.07	.07	0.80	.82
0.08	.08	0.81	.83
0.09	.09	0.82	.84
0.10	.10	0.83	.85
0.11	.11	0.84	.86
0.12	.12	0.85	.87
0.13	.13	0.86	.88
0.14	.14	0.87	.89
0.15	.15	0.88	.90
0.16	.16	0.89	.91
0.17	.17	0.90	.92
0.18	.18	0.91	.93
0.19	.19	0.92	.94
0.20	.20	0.93	.95
0.21	.21	0.94	.96
0.22	.22	0.95	.97
0.23	.23	0.96	.98
0.24	.24	0.97	.99
0.25	.25	0.98	1.00
0.26	.26	0.99	1.01
0.27	.27	1.00	1.02
0.28	.28	1.10	1.12
0.29	.29	1.15	1.17
0.30	.30	1.20	1.23
0.31	.31	1.25	1.28
0.32	.32	1.30	1.34
0.33	.33	1.35	1.39
0.34	.34	1.40	1.45
0.35	.35	1.45	1.50
0.36	.36	1.50	1.56
0.37	.37	1.55	1.61
0.38	.38	1.60	1.67
0.39	.39	1.65	1.72
0.40	.40	1.70	1.78
0.41	.41	1.75	1.83
0.42	.42	1.80	1.89
0.43	.43	1.85	1.94
0.44	.44	1.90	1.99
0.45	.45	1.95	2.04
0.46	.46	2.00	2.10
0.47	.47	2.05	2.15
0.48	.48	2.10	2.21
0.49	.49	2.15	2.27
0.50	.51	2.20	2.33
0.51	.52	2.25	2.39
0.52	.53	2.30	2.45
0.53	.54	2.35	2.51
0.54	.55	2.40	2.57
0.55	.56	2.45	2.63
0.56	.57	2.50	2.68
0.57	.58	2.55	2.74
0.58	.59	2.60	2.79
0.59	.60	2.65	2.85
0.60	.61	2.70	2.90
0.61	.62	2.75	2.96
0.62	.63	2.80	3.02
0.63	.64	2.85	3.09
0.64	.65	2.90	3.15
0.65	.66	2.95	3.21
0.66	.67	3.00	3.27
0.67	.68	3.05	3.34
0.68	.69	3.10	3.40
0.69	.70	3.15	3.45
0.70	.71	3.20	3.50
0.71	.72	3.25	3.56
0.72	.73	3.30	3.64
0.73	.74	3.35	3.70
0.74	.75	3.40	3.76
0.75	.76	3.45	3.82
0.76	.77	3.50	3.88
0.77	.78	3.55	3.94

TABLE VI—Continued

Difference between the boiling points	Percent alcohol by volume	Difference between the boiling points	Percent alcohol by volume
3.60	4.00	5.70	6.90
3.65	4.07	5.75	6.98
3.70	4.14	5.80	7.05
3.75	4.21	5.85	7.12
3.80	4.27	5.90	7.19
3.85	4.34	5.95	7.26
3.90	4.41	6.00	7.34
3.95	4.47	6.05	7.42
4.00	4.53	6.10	7.49
4.05	4.60	6.15	7.57
4.10	4.67	6.20	7.65
4.15	4.74	6.25	7.73
4.20	4.80	6.30	7.81
4.25	4.87	6.35	7.89
4.30	4.93	6.40	7.97
4.35	5.00	6.45	8.06
4.40	5.08	6.50	8.14
4.45	5.15	6.55	8.22
4.50	5.22	6.60	8.30
4.55	5.29	6.65	8.38
4.60	5.36	6.70	8.47
4.65	5.43	6.75	8.55
4.70	5.50	6.80	8.63
4.75	5.57	6.85	8.72
4.80	5.64	6.90	8.80
4.85	5.71	6.95	8.89
4.90	5.78	7.00	8.97
4.95	5.88	7.05	9.06
5.00	5.92	7.10	9.13
5.05	5.99	7.15	9.22
5.10	6.06	7.20	9.30
5.15	6.13	7.25	9.39
5.20	6.20	7.30	9.47
5.25	6.27	7.35	9.55
5.30	6.34	7.40	9.63
5.35	6.41	7.45	9.72
5.40	6.48	7.50	9.80
5.45	6.55	7.55	9.89
5.50	6.62	7.60	9.98
5.55	6.69	7.65	10.07
5.60	6.76	7.70	10.16
5.65	6.83	7.75	10.25

LEFCO EBULLIOMETER

§ 240.996 *Determination of the boiling point of water.* Fill the lamp with denatured alcohol. Rinse the ebulliometer boiler with water by pouring through the thermometer opening. Measure in the glass tube the quantity of water indicated by the graduation and pour it into the ebulliometer. Place the thermometer in position. Light the lamp and place it under the small tube. Within about eight or nine minutes the mercury in the thermometer commences to rise. When steam comes out of the top of the instrument (which indicates that the water has commenced to boil) and the mercury becomes stationary, read the thermometer; it is the boiling point of the water. Do not put any water into the condenser jacket while determining the boiling point of the water.

§ 240.997 *Determination of the boiling point of wine.* Open the cock, empty the boiler, rinse it with some of the diluted wine to be tested, and blow out any remaining liquid in the condenser and boiler. The procedure then is the same as given above for determining the boiling point of water, except that in this case water is used in the condenser jacket. Heating should not be continued after the condenser has become very warm.

§ 240.998 *Directions for reading alcohol table.* Determine the boiling point of the water. Determine the boiling point of the diluted wine. Should the observed boiling point of water be greater than 100 degrees centigrade, then subtract 100 degrees from this boiling point. Subtract the difference from the observed boiling point of the diluted wine. This is the corrected boiling point of the diluted wine.

Example:

Boiling point of water=100.50° C.

100.50°−100.00°=0.50° C.

Observed boiling point of the diluted wine=97.70° C.

97.70°−0.50°=97.20° C., the corrected boiling point of the diluted wine.

Refer to Table VII, and opposite 97.20° C. find the alcohol content of the diluted wine, which is 3.06 percent by volume. 3.06 multiplied by 2, 4, or 10, according to the degree of dilution of the wine tested, will give the percent of alcohol in the undiluted wine.

Should the observed boiling point of water be less than 100 degrees centigrade, then subtract this observed boiling point from 100 degrees centigrade. Add this difference to the observed boiling point of the diluted wine. This is the corrected boiling point of the diluted wine.

Example:

Observed boiling point of water=99.70° C.

100.00° C.−99.70° C.=0.30° C.

Observed boiling point of the diluted wine=96.30° C.

96.30°+0.30°=96.60° C., the corrected boiling point of the diluted wine.

Refer to Table VII, and opposite 96.60° C. find the alcohol content of the diluted wine, which is 3.74 percent by volume. 3.74 multiplied by 2, 4, or 10, according to the degree of dilution of the wine tested, will give the percent of alcohol in the undiluted wine.

§ 240.999 *Alcohol table for Lefco ebulliometer.*

TABLE VII

Corrected boiling point ° C.	Percent alcohol by volume	Corrected boiling point ° C.	Percent alcohol by volume
100.00	0.00	98.10	2.00
99.95	.05	98.05	2.06
99.90	.10	98.00	2.11
99.85	.15	97.95	2.17
99.80	.20	97.90	2.22
99.75	.25	97.85	2.28
99.70	.30	97.80	2.33
99.65	.35	97.75	2.39
99.60	.40	97.70	2.45
99.55	.45	97.65	2.50
99.50	.50	97.60	2.56
99.45	.56	97.55	2.63
99.40	.61	97.50	2.69
99.35	.67	97.45	2.75
99.30	.72	97.40	2.81
99.25	.77	97.35	2.87
99.20	.83	97.30	2.93
99.15	.89	97.25	3.00
99.10	.94	97.20	3.06
99.05	1.00	97.15	3.11
99.00	1.05	97.10	3.17
98.95	1.10	97.05	3.22
98.90	1.15	97.00	3.28
98.85	1.20	96.95	3.33
98.80	1.25	96.90	3.39
98.75	1.30	96.85	3.44
98.70	1.36	96.80	3.50
98.65	1.41	96.75	3.56
98.60	1.46	96.70	3.62
98.55	1.52	96.65	3.68
98.50	1.57	96.60	3.74
98.45	1.63	96.55	3.81
98.40	1.66	96.50	3.87
98.35	1.73	96.45	3.94
98.30	1.79	96.40	4.00
98.25	1.84	96.35	4.07
98.20	1.90	96.30	4.12
98.15	1.95	96.25	4.19

TABLE VII—Continued

Corrected boiling point ° C.	Percent alcohol by volume	Corrected boiling point ° C.	Percent alcohol by volume
96.20	4.25	93.65	7.90
96.15	4.33	93.60	7.98
96.10	4.39	93.55	8.06
96.05	4.45	93.50	8.14
96.00	4.52	93.45	8.22
95.95	4.59	93.40	8.30
95.90	4.66	93.35	8.38
95.85	4.73	93.30	8.46
95.80	4.80	93.25	8.59
95.75	4.87	93.20	8.60
95.70	4.93	93.15	8.70
95.65	5.00	93.10	8.78
95.60	5.06	93.05	8.86
95.55	5.14	93.00	8.94
95.50	5.21	92.95	9.02
95.45	5.28	92.90	9.10
95.40	5.37	92.85	9.18
95.35	5.43	92.80	9.26
95.30	5.50	92.75	9.35
95.25	5.57	92.70	9.43
95.20	5.66	92.65	9.51
95.15	5.71	92.60	9.60
95.10	5.77	92.55	9.68
95.05	5.86	92.50	9.77
95.00	5.93	92.45	9.85
94.95	6.00	92.40	9.93
94.90	6.07	92.35	10.02
94.85	6.13	92.30	10.11
94.80	6.19	92.25	10.19
94.75	6.26	92.20	10.28
94.70	6.33	92.15	10.37
94.65	6.39	92.10	10.45
94.60	6.46	92.05	10.54
94.55	6.57	92.00	10.63
94.50	6.60	91.95	10.72
94.45	6.68	91.90	10.81
94.40	6.74	91.85	10.89
94.35	6.82	91.80	10.98
94.30	6.89	91.75	11.07
94.25	6.97	91.70	11.16
94.20	7.04	91.65	11.25
94.15	7.11	91.60	11.34
94.10	7.19	91.55	11.43
94.05	7.27	91.50	11.51
94.00	7.35	91.45	11.60
93.95	7.43	91.40	11.69
93.90	7.51	91.35	11.78
93.85	7.59	91.30	11.87
93.80	7.67	91.25	11.96
93.75	7.75	91.20	12.06
93.70	7.83		

MALLIGAND TYPE EBULLIOSCOPES

§ 240.1000 *Determination of the boiling point of water.* Fill the conical boiler with water to the lower inside ring. Do this carefully, using the pipette which is sent with the instrument. Do not let the thermometer bulb containing the mercury touch the water. Now close the boiler with its cover to which the thermometer is fastened. Screw the cover into the boiler. Fill the lamp with alcohol, set it under the chimney which is fastened to the ring in front, light the lamp and bring the water to a boil. When the water is in full boil, shown by the escaping steam, let the mercury rise until it becomes stationary. Then loosen the screw in the back of the thermometer frame and move the scale so that its "0" line exactly meets the very end of the mercury column, then tighten again the screw in the back so that the scale may not accidentally be moved. The cylindrical cooler is not used during the foregoing part of the process. The "0" point, determined as explained, may be used for two or three hours, unless some atmospheric disturbance should occur in the meantime. Now extinguish the flame, unscrew and remove the cover and empty the boiler and you are ready to test the wine.

§ 240.1001 *Determination of the boiling point of diluted wine.* First rinse the boiler thoroughly with some of the diluted wine to be tested. Empty the rinsings and then fill with another portion of the diluted wine to the upper ring within the boiler. Screw the cover on again and set the cooler on top, screwing it into the short tube in front of the thermometer frame. Fill the cooler with cold water, but do not pour any water through the narrow tube in the center. Now put the lamp under the chimney again, light it, and bring the diluted wine to a boil. When the mercury column of the thermometer stops rising and has become stationary read from the scale the percentage of alcohol contained in the diluted wine. The test must be stopped if and when the water in the cooler should get warm. The sliding pointer on the thermometer frame helps in easy reading of the scale. After cooler and boiler have been emptied and have cooled off, another test can be made immediately. Again thoroughly rinse the boiler with the diluted wine to be tested and proceed as before. As stated, it is not necessary to determine the "0" point anew for each test. It may for two or three hours remain the same as originally found, unless some atmospheric disturbance has occurred in the meantime. The water in the cooler must not get warm and therefore must be renewed for each test. To prevent foaming of only partly fermented wine, drop one or two drops of oil or a small particle of stearine or tallow on top of the liquid in the boiler before screwing on the cover with the thermometer.

§ 240.1002 *Care of the instrument.* It is most necessary to empty the boiler immediately and thoroughly rinse with clean water and then carefully dry the boiler inside and outside, particularly inside, because wine left in the boiler will form a crust within the heating-ring. The heating-ring is the ring which holds the chimney. It is hollow and open at the two ends where fastened to the boiler. When the boiler is filled the heating-ring also fills. A crust within the heating-ring first slows up and in the end makes impossible the proper working of the instrument. When it takes more and more time to make the liquid boil it is not due to anything else but that a crust has formed within the heating-ring. It is then necessary to thoroughly clean the instrument by boiling water in it, and, while boiling, adding about one-eighth ounce of caustic potash in small pieces to the boiling water. After three or four minutes of boiling, empty the boiler, rinse it several times with clean water, then repeat the caustic-potash treatment and rinsing until the water comes out clear, then finish by carefully and thoroughly drying the boiler inside and outside. Be sure during the entire cleaning process to keep the cover with the thermometer away in a safe place and not to put it on the boiler.

§ 240.1003 *Care of alcohol lamp.* To make sure that the lamp will work properly it must, as far as practicable, be kept well filled with denatured alcohol. When not in use, keep the cap on the lamp. From time to time the lamp must be emptied, cleaned out, and refilled with clean denatured alcohol. Soot may form where the chimney sets on the heating-ring. Remove it, because soot will slow up the working of the instrument. The wick must always be kept in good condition, i. e., at its original height and with plenty of cotton for its entire length.

SALLERON-DUJARDIN EBULLIOSCOPE

§ 240.1004 *Apparatus.* This set of instruments consists of 1 Salleron-DuJardin ebullioscope with reflux condenser, 1 rule with sliding scale for determining the percent of alcohol, 1 alcohol lamp, 1 standardized centigrade thermometer, 1 glass cylinder graduated to read 15 ml., 25 ml., and 50 ml., for accurately measuring the sample to be tested, and 1 plain or mixing glass cylinder of not less than 75 ml. capacity.

§ 240.1005 *Determination of boiling point of water.* Pour 15 ml. of water into the ebullioscope, insert the thermometer, and bring the water to the boiling point. When the mercury becomes stationary, note the temperature and adjust the sliding scale on the rule so that the line indicating the temperature noted will be exactly parallel with the zero mark on the left-hand side of the rule. Now remove the thermometer and empty the water and rinse the ebullioscope thoroughly with some of the diluted wine to be tested.

§ 240.1006 *Determination of alcohol content of wine.* Take 50 ml. of the diluted wine to be tested and pour it into the ebullioscope, fill the reflux condenser with cold water, insert the thermometer, and bring the sample to the boiling point. Heating should not be continued after the condenser has become very warm. When the mercury in the thermometer becomes stationary and the reading noted, refer to the rule, and the reading on the right-hand side parallel with the line on the sliding scale, indicating the temperature noted, will be the alcohol content of the diluted wine, which should be multiplied by 2, 4, or 10, according to the ratio of dilution, to find the alcohol content of the undiluted wine.

TAG-TWIN EBULLIOMETER

§ 240.1007 *Determining boiling points.* Place instrument on a level table and shield from drafts which may cause unsteady temperature conditions. Fill the graduated measuring glass with the diluted wine to be tested up to the top line marked 50 ml. Pour the liquid to be tested in the right-hand receptacle. Now fill the measuring glass up to the 50 ml. mark with water and pour the water into the left-hand container. Fill condenser with water and place it and thermometers in position. The thermometer provided with the sliding scale is for determining the boiling point of the wine, and goes in the right-hand container. The other thermometer, without the scale, is for the water container. Light burner after filling with denatured alcohol. With the chimney in place adjust apparatus so that the flame covers the two circular tubes. Use a low flame in starting, as too rapid boiling may result in a loss of some of the alcohol due to the velocity of the vapor particles. The flame may be increased after the first few minutes, but in no case use the strongest flame. When the temperature indicates that the liquids are near the boiling points, the flame may be reduced again. When the mercury columns in both thermometers reach their highest point and become stationary, and when the readings are steady, observe the mercury column of the thermometer in the receptacle containing the water. Note at what degree the water boils. Then set the sliding scale on the other thermometer so that the zero "0" mark on the sliding scale is at the same reading as the mercury of the thermometer in the receptacle with the boiling water. For instance, if the water registers 100 degrees, move the sliding scale on the other thermometer so that the zero mark of the sliding scale will be at the point of 100 degrees. If the thermometer in the receptacle with the water registers 99.6 degrees, adjust the sliding scale on the other thermometer so that its zero mark will be at 99.6 degrees of the attached thermometer, and so on.

§ 240.1008 *Determining percentage of alcohol.* After the boiling points have been reached, i. e., when the mercury columns in both thermometers have become stationary, keep a small flame burning for about one minute (heating should not be continued after the right-hand condenser has become very warm). Then read on the sliding scale the point corresponding to the top of the mercury column in the right-hand thermometer. That figure on the sliding scale will be the exact percentage of alcohol present in the diluted wine being tested. This figure will then be multiplied by 2, 4, or 10, according to the degree of dilution, to find the percent of alcohol by volume contained in the undiluted wine. The alcohol percentage scale from 1 to 5 percent is graduated in 1/20 parts, each line indicating 1/20 of 1 percent. The remainder of the scale is divided in 1/10 parts, each line indicating 1/10 of 1 percent of alcohol by volume.

CARE OF THERMOMETERS

§ 240.1009 *Precautions.* Thermometers are easily broken. Great care must be exercised in handling and using them to prevent breakage. A thermometer should never be knocked against anything hard, nor dipped into a cold liquid when it is hot or into a hot liquid when it is cold, nor should the bulb come in contact with a cold surface just after being taken out of the boiler or with a hot surface when it is cold.

§ 240.1010 *Separation of mercury column*. Great care must likewise be used in attempting to reunite the mercury column when it becomes separated, as the thermometer may be broken by any swinging, tapping, chilling, or heating of the instrument employed to unite the separated column. The instructions in §§ 240.1011, 240.1012, 240.1013, and 240.1014 issued by manufacturers for reuniting the mercury columns of thermometers, are quoted for the information of proprietors.

§ 240.1011 *Salleron-DuJardin instructions*. Should the mercury column in the thermometer become separated as a consequence of jolting or handling, it is easy to get the bubbles or portions of mercury back into the proper place by shaking the thermometer like a pendulum, the bulb being held in the hand, the stem upwards against the forearm.

§ 240.1012 *Tag-Twin instructions*. To obtain accurate results, the mercury column in the thermometer must be unbroken. If, for any reason, a separation of the mercury occurs in the column of either thermometer, the mercury can usually be joined in the chamber above the bulb by tapping the thermometer end on a pad of paper or some other solid, but not hard, surface.

§ 240.1013 *Malligand instructions*. Due to rough handling in transportation or some similar cause the mercury column may become divided and portions of it may appear anywhere in the thermometer tube. This can easily be remedied by turning the thermometer upside down and swinging it lightly up and down, to cause the mercury in the tube to move and press forward toward the extreme end of the tube, thus uniting the separated portions on its way. A divided mercury column may sometimes completely fill the bulb at the extreme end of the horizontal tube and if turning and swinging does not unite the mercury, the bulb should be gradually heated by holding it above the flame of the alcohol lamp at a distance of about 2 or 3 inches, slowly moving it a little closer, until the heat makes the mercury rise and the separated portions unite. A little swinging up and down will help. Be careful not to have the flame too high or the bulb too close to the flame, else the bulb will break.

§ 240.1014 *Juerst instructions*. To join mercury column when broken within the capillary:

(a) Warm the bulb in water or oil or in the air high above a gas or alcohol flame. Great care must be taken, especially with high temperature thermometers, not to heat the bulb to a temperature higher than the thermometer is intended to measure. The upper end of a thermometer stem may be warmed over a Bunsen burner, if this is done very gradually. When the thermometer is warmed over a flame, it should be rotated about its axis.

(b) Cool in cold water, ice, a freezing mixture, or CO_2 snow; but such cooling should not be attempted while the thermometer bulb is still hot to the touch.

(c) Tap or strike thermometer on the end. This must be done carefully, particularly when the bulb is only partially filled with mercury and the thermometer is inverted. This tapping may be "soft," as when the thermometer is held vertically and the hand (not the thermometer) is struck on the table, or it may be "sharp," as when the thermometer is held vertically and struck downward on a pad of paper.

(d) Tap on the side of the thermometer "softly" with the hand, or "sharply" with a pencil. Either must be done with care, as there is danger of breaking the stem. Different thermometers require different treatment.

METHOD OF DETERMINING THE QUANTITY OF WINE SPIRITS TO BE ADDED TO WINE TO PRODUCE A DESIRED ALCOHOL CONTENT

§ 240.1015 *Determination of the quantity required in wine gallons*. The quantity of wine spirits required to raise the alcohol content of wine may be determined by use of the following formula:

$$X = \frac{V(C-A)}{B-C}$$

where:

A = the percent of alcohol by volume in the wine before addition of wine spirits;
B = the percent of alcohol by volume in the wine spirits to be used;
C = the desired percent of alcohol by volume in the wine;
V = the number of wine gallons of the wine to be used; and
X = the number of wine gallons of wine spirits to be used.

The percentage of alcohol by volume of wine spirits is one-half the proof of the wine spirits.

§ 240.1016 *Examples of use of formula*.

Example No. 1. How many wine gallons of wine spirits having a percent of alcohol by volume of 90 shall be added to 100 gallons of wine having an alcohol content of 10 percent by volume to produce a wine of 20 percent alcohol by volume?

A = 10 percent.
B = 90 percent.
C = 20 percent.
V = 100 gallons.

$$X = \frac{100\ (20-10)}{(90-20)} = 14.28 \text{ w. g. wine spirits.}$$

Example No. 2. It is desired to increase the alcohol content of 100 gallons of wine containing 11.9 percent alcohol to 20.7 percent with wine spirits containing 90.3 percent alcohol:

A = 11.9 percent.
B = 90.3 percent.
C = 20.7 percent.
V = 100 gallons.

$$X = \frac{100\ (20.7-11.9)}{(90.3-20.7)} = 12.64 \text{ w. g. wine spirits.}$$

§ 240.1017 *Determination of the quantity of wine spirits in pounds*. The pounds of wine spirits required to raise the alcohol content of wine to any percent between 18 and 24 percent, inclusive, with wine spirits of any proof between 167 degrees and 193 degrees, inclusive, may be determined by use of the table in § 240.1018. As indicated by the heading of the table, the percentage of alcohol desired in the wine is shown in the lines in the first column to the left, and the proof of the wine spirits to be used is shown at the top of the other columns.

§ 240.1018 *Table for finding the quantity of wine spirits in pounds.*

TABLE VIII

Percent alcohol desired in wine	Proof of wine spirits to be used								
	193	192	191	190	189	188	187	186	185
18.0	0.08591	0.08668	0.08746	0.08824	0.08902	0.08982	0.09062	0.09142	0.09224
18.1	.08602	.08679	.08757	.08835	.08914	.08994	.09074	.09154	.09236
18.2	.08613	.08690	.08768	.08847	.08926	.09005	.09086	.09167	.09248
18.3	.08624	.08702	.08780	.08858	.08938	.09017	.09098	.09179	.09261
18.4	.08635	.08713	.08791	.08870	.08949	.09029	.09110	.09191	.09273
18.5	.08646	.08724	.08803	.08881	.08961	.09041	.09122	.09204	.09286
18.6	.08657	.08735	.08814	.08893	.08973	.09053	.09134	.09216	.09298
18.7	.08669	.08747	.08825	.08905	.08985	.09065	.09146	.09228	.09311
18.8	.08680	.08758	.08837	.08916	.08997	.09077	.09159	.09241	.09324
18.9	.08691	.08769	.08848	.08928	.09008	.09089	.09171	.09253	.09336
19.0	.08702	.08781	.08860	.08940	.09020	.09101	.09183	.09266	.09349
19.1	.08713	.08792	.08872	.08952	.09032	.09114	.09196	.09278	.09362
19.2	.08725	.08804	.08883	.08964	.09044	.09126	.09208	.09291	.09375
19.3	.08736	.08815	.08895	.08975	.09056	.09138	.09220	.09303	.09387
19.4	.08747	.08827	.08907	.08987	.09068	.09150	.09233	.09316	.09400
19.5	.08759	.08838	.08918	.08999	.09081	.09163	.09245	.09329	.09413
19.6	.08770	.08850	.08930	.09011	.09093	.09175	.09258	.09341	.09426
19.7	.08781	.08861	.08942	.09023	.09105	.09187	.09270	.09354	.09439
19.8	.08793	.08873	.08954	.09035	.09117	.09200	.09283	.09367	.09452
19.9	.08804	.08885	.08966	.09047	.09129	.09212	.09295	.09380	.09465
20.0	.08815	.08896	.08977	.09059	.09141	.09224	.09308	.09393	.09478
20.1	.08827	.08908	.08989	.09071	.09154	.09237	.09321	.09406	.09491
20.2	.08839	.08920	.09001	.09083	.09166	.09249	.09334	.09418	.09504
20.3	.08851	.08932	.09013	.09096	.09178	.09262	.09346	.09431	.09517
20.4	.08862	.08943	.09025	.09108	.09191	.09275	.09359	.09444	.09531
20.5	.08874	.08955	.09037	.09120	.09203	.09287	.09372	.09457	.09544
20.6	.08886	.08967	.09049	.09132	.09216	.09300	.09385	.09470	.09557
20.7	.08897	.08979	.09061	.09144	.09228	.09313	.09398	.09484	.09570
20.8	.08909	.08991	.09074	.09157	.09241	.09325	.09411	.09497	.09584
20.9	.08921	.09003	.09086	.09169	.09253	.09338	.09424	.09510	.09597
21.0	.08933	.09015	.09098	.09182	.09266	.09351	.09437	.09523	.09611
21.1	.08944	.09027	.09110	.09194	.09278	.09364	.09450	.09536	.09624
21.2	.08956	.09039	.09122	.09206	.09291	.09376	.09463	.09550	.09638
21.3	.08968	.09051	.09135	.09219	.09304	.09389	.09476	.09563	.09651
21.4	.08980	.09063	.09147	.09231	.09317	.09402	.09489	.09576	.09665
21.5	.08992	.09075	.09159	.09244	.09329	.09415	.09502	.09590	.09678
21.6	.09004	.09088	.09172	.09257	.09342	.09428	.09515	.09603	.09692
21.7	.09016	.09100	.09184	.09269	.09355	.09441	.09529	.09617	.09706
21.8	.09028	.09112	.09197	.09282	.09368	.09454	.09542	.09630	.09719
21.9	.09040	.09124	.09209	.09295	.09381	.09468	.09555	.09644	.09733
22.0	.09053	.09137	.09222	.09307	.09394	.09481	.09569	.09657	.09747
22.1	.09065	.09149	.09234	.09320	.09407	.09494	.09582	.09671	.09761
22.2	.09077	.09162	.09247	.09333	.09420	.09507	.09595	.09685	.09775
22.3	.09089	.09174	.09259	.09346	.09433	.09520	.09609	.09698	.09789
22.4	.09101	.09186	.09272	.09359	.09446	.09534	.09622	.09712	.09803
22.5	.09114	.09199	.09285	.09372	.09459	.09547	.09636	.09726	.09816
22.6	.09126	.09211	.09298	.09384	.09472	.09560	.09650	.09740	.09831
22.7	.09138	.09224	.09310	.09397	.09485	.09574	.09663	.09753	.09845
22.8	.09151	.09237	.09323	.09410	.09498	.09587	.09677	.09767	.09859
22.9	.09163	.09249	.09336	.09423	.09512	.09601	.09691	.09781	.09873
23.0	.09175	.09262	.09349	.09437	.09525	.09614	.09704	.09795	.09887
23.1	.09188	.09275	.09362	.09450	.09538	.09628	.09718	.09809	.09901
23.2	.09201	.09287	.09375	.09463	.09552	.09641	.09732	.09823	.09916
23.3	.09213	.09300	.09388	.09476	.09565	.09655	.09746	.09837	.09930
23.4	.09226	.09313	.09401	.09489	.09579	.09669	.09760	.09851	.09944
23.5	.09238	.09326	.09414	.09503	.09592	.09682	.09774	.09866	.09959
23.6	.09251	.09339	.09427	.09516	.09606	.09696	.09788	.09880	.09973
23.7	.09264	.09352	.09440	.09529	.09619	.09710	.09802	.09894	.09988
23.8	.09277	.09365	.09453	.09543	.09633	.09724	.09816	.09908	.10002
23.9	.09289	.09378	.09466	.09556	.09646	.09738	.09830	.09923	.10017
24.0	.09302	.09391	.09480	.09569	.09660	.09752	.09844	.09937	.10031

Percent alcohol desired in wine	Proof of wine spirits to be used								
	184	183	182	181	180	179	178	177	176
18.0	0.09306	0.09389	0.09472	0.09557	0.09642	0.09729	0.09817	0.09905	0.09995
18.1	.09318	.09401	.09485	.09570	.09656	.09743	.09830	.09919	.10009
18.2	.09331	.09414	.09498	.09583	.09669	.09756	.09844	.09933	.10023
18.3	.09344	.09427	.09511	.09597	.09683	.09770	.09858	.09947	.10038
18.4	.09356	.09440	.09525	.09610	.09696	.09784	.09872	.09962	.10052
18.5	.09369	.09453	.09538	.09623	.09710	.09798	.09886	.09976	.10066
18.6	.09382	.09466	.09551	.09637	.09724	.09811	.09900	.09990	.10081
18.7	.09395	.09479	.09564	.09650	.09737	.09825	.09914	.10004	.10096
18.8	.09407	.09492	.09577	.09664	.09751	.09839	.09928	.10019	.10110
18.9	.09420	.09505	.09591	.09677	.09765	.09853	.09943	.10033	.10125
19.0	.09433	.09518	.09604	.09691	.09778	.09867	.09957	.10048	.10139
19.1	.09446	.09531	.09617	.09704	.09792	.09881	.09971	.10062	.10154
19.2	.09459	.09545	.09631	.09718	.09806	.09895	.09985	.10077	.10169
19.3	.09472	.09558	.09644	.09731	.09820	.09909	.10000	.10091	.10184
19.4	.09485	.09571	.09658	.09745	.09834	.09923	.10014	.10106	.10198
19.5	.09498	.09584	.09671	.09759	.09848	.09937	.10028	.10120	.10213
19.6	.09511	.09598	.09685	.09773	.09862	.09952	.10043	.10135	.10228
19.7	.09524	.09611	.09698	.09786	.09876	.09966	.10057	.10150	.10243
19.8	.09538	.09624	.09712	.09800	.09890	.09980	.10072	.10165	.10258
19.9	.09551	.09638	.09726	.09814	.09904	.09995	.10086	.10179	.10273
20.0	.09564	.09651	.09739	.09828	.09918	.10009	.10101	.10194	.10289
20.1	.09577	.09665	.09753	.09842	.09932	.10023	.10116	.10209	.10304
20.2	.09591	.09678	.09767	.09856	.09946	.10038	.10130	.10224	.10319
20.3	.09604	.09692	.09781	.09870	.09961	.10052	.10145	.10239	.10334
20.4	.09618	.09706	.09794	.09884	.09975	.10067	.10160	.10254	.10349
20.5	.09631	.09719	.09808	.09898	.09989	.10082	.10175	.10269	.10365
20.6	.09645	.09733	.09822	.09912	.10004	.10096	.10190	.10284	.10380
20.7	.09658	.09747	.09836	.09927	.10018	.10111	.10205	.10299	.10396
20.8	.09672	.09761	.09850	.09941	.10033	.10126	.10220	.10315	.10411
20.9	.09685	.09774	.09864	.09955	.10047	.10140	.10235	.10330	.10427
21.0	.09699	.09788	.09878	.09969	.10062	.10155	.10250	.10345	.10442
21.1	.09713	.09802	.09892	.09984	.10076	.10170	.10265	.10361	.10458
21.2	.09726	.09816	.09907	.09998	.10091	.10185	.10280	.10376	.10473
21.3	.09740	.09830	.09921	.10013	.10106	.10200	.10295	.10391	.10489
21.4	.09754	.09844	.09935	.10027	.10120	.10215	.10310	.10407	.10505
21.5	.09768	.09858	.09949	.10042	.10135	.10230	.10326	.10422	.10521
21.6	.09782	.09872	.09964	.10056	.10150	.10245	.10341	.10438	.10536
21.7	.09795	.09886	.09978	.10071	.10165	.10260	.10356	.10454	.10552
21.8	.09809	.09901	.09993	.10086	.10180	.10275	.10372	.10469	.10568
21.9	.09823	.09915	.10007	.10100	.10195	.10290	.10387	.10485	.10584
22.0	.09837	.09929	.10022	.10115	.10210	.10306	.10403	.10501	.10600
22.1	.09852	.09943	.10036	.10130	.10225	.10321	.10418	.10517	.10616
22.2	.09866	.09958	.10051	.10145	.10240	.10336	.10434	.10533	.10633
22.3	.09880	.09972	.10065	.10159	.10255	.10352	.10449	.10548	.10649
22.4	.09894	.09987	.10080	.10174	.10270	.10367	.10465	.10564	.10665
22.5	.09908	.10001	.10095	.10189	.10285	.10382	.10481	.10580	.10681
22.6	.09922	.10016	.10109	.10204	.10301	.10398	.10497	.10596	.10698
22.7	.09937	.10030	.10124	.10219	.10316	.10414	.10512	.10613	.10714
22.8	.09951	.10045	.10139	.10234	.10331	.10429	.10528	.10629	.10730
22.9	.09965	.10059	.10154	.10250	.10347	.10445	.10544	.10645	.10747
23.0	.09980	.10074	.10169	.10265	.10362	.10461	.10560	.10661	.10763
23.1	.09994	.10089	.10184	.10280	.10378	.10476	.10576	.10677	.10780
23.2	.10009	.10103	.10199	.10295	.10393	.10492	.10592	.10694	.10797
23.3	.10024	.10118	.10214	.10311	.10409	.10508	.10608	.10710	.10813
23.4	.10038	.10133	.10229	.10326	.10424	.10524	.10625	.10727	.10830
23.5	.10053	.10148	.10244	.10341	.10440	.10540	.10641	.10743	.10847
23.6	.10068	.10163	.10259	.10357	.10456	.10556	.10657	.10760	.10864
23.7	.10082	.10178	.10275	.10372	.10471	.10572	.10673	.10776	.10881
23.8	.10097	.10193	.10290	.10388	.10487	.10588	.10690	.10793	.10898
23.9	.10112	.10208	.10305	.10404	.10503	.10604	.10706	.10810	.10915
24.0	.10127	.10223	.10321	.10419	.10519	.10620	.10722	.10826	.10932

Percent alcohol desired in wine	Proof of wine spirits to be used								
	175	174	173	172	171	170	169	168	167
18.0	0.10085	0.10177	0.10270	0.10364	0.10460	0.10557	0.10655	0.10754	0.10855
18.1	.10100	.10192	.10285	.10380	.10475	.10572	.10671	.10770	.10871
18.2	.10114	.10207	.10300	.10395	.10491	.10588	.10687	.10787	.10888
18.3	.10129	.10221	.10315	.10410	.10507	.10604	.10703	.10803	.10904
18.4	.10144	.10236	.10330	.10426	.10522	.10620	.10719	.10819	.10921
18.5	.10158	.10251	.10346	.10441	.10538	.10636	.10735	.10836	.10938
18.6	.10173	.10266	.10361	.10457	.10554	.10652	.10752	.10852	.10955
18.7	.10188	.10281	.10376	.10472	.10569	.10668	.10768	.10869	.10972
18.8	.10203	.10296	.10391	.10488	.10585	.10684	.10784	.10885	.10989
18.9	.10217	.10311	.10407	.10503	.10601	.10700	.10801	.10903	.11006
19.0	.10232	.10327	.10422	.10519	.10617	.10717	.10817	.10919	.11023
19.1	.10247	.10342	.10438	.10535	.10633	.10733	.10834	.10936	.11040
19.2	.10262	.10357	.10453	.10551	.10649	.10749	.10850	.10953	.11057
19.3	.10277	.10372	.10469	.10566	.10665	.10765	.10867	.10970	.11074
19.4	.10293	.10388	.10484	.10582	.10681	.10782	.10884	.10987	.11092
19.5	.10308	.10403	.10500	.10598	.10698	.10798	.10900	.11004	.11109
19.6	.10323	.10419	.10516	.10614	.10714	.10815	.10917	.11021	.11126
19.7	.10338	.10434	.10531	.10630	.10730	.10831	.10934	.11038	.11144
19.8	.10353	.10450	.10547	.10646	.10746	.10848	.10951	.11055	.11161
19.9	.10369	.10465	.10563	.10662	.10763	.10865	.10968	.11073	.11179
20.0	.10384	.10481	.10579	.10678	.10779	.10881	.10985	.11090	.11196
20.1	.10399	.10496	.10595	.10695	.10796	.10898	.11002	.11107	.11214
20.2	.10415	.10512	.10611	.10711	.10812	.10915	.11019	.11125	.11232
20.3	.10430	.10528	.10627	.10727	.10829	.10932	.11036	.11142	.11250
20.4	.10446	.10544	.10643	.10744	.10845	.10949	.11054	.11160	.11267
20.5	.10461	.10560	.10659	.10760	.10862	.10966	.11071	.11177	.11285
20.6	.10477	.10575	.10675	.10776	.10879	.10983	.11088	.11195	.11303
20.7	.10493	.10591	.10691	.10793	.10896	.11000	.11106	.11213	.11321
20.8	.10509	.10607	.10708	.10809	.10913	.11017	.11123	.11230	.11339
20.9	.10524	.10623	.10724	.10826	.10929	.11034	.11140	.11248	.11357
21.0	.10540	.10640	.10740	.10843	.10946	.11051	.11158	.11266	.11376
21.1	.10556	.10656	.10757	.10859	.10963	.11069	.11176	.11284	.11394
21.2	.10572	.10672	.10773	.10876	.10980	.11086	.11193	.11302	.11412
21.3	.10588	.10688	.10790	.10893	.10998	.11103	.11211	.11320	.11430
21.4	.10604	.10704	.10806	.10910	.11015	.11121	.11229	.11338	.11449
21.5	.10620	.10721	.10823	.10927	.11032	.11138	.11247	.11356	.11467
21.6	.10635	.10737	.10840	.10944	.11049	.11156	.11264	.11374	.11486
21.7	.10652	.10754	.10856	.10961	.11066	.11174	.11282	.11393	.11504
21.8	.10668	.10770	.10873	.10978	.11084	.11191	.11300	.11411	.11523
21.9	.10685	.10787	.10890	.10995	.11101	.11209	.11318	.11429	.11542
22.0	.10701	.10803	.10907	.11012	.11119	.11227	.11337	.11448	.11561
22.1	.10717	.10820	.10924	.11029	.11136	.11245	.11355	.11466	.11579
22.2	.10734	.10837	.10941	.11047	.11154	.11263	.11373	.11485	.11598
22.3	.10750	.10853	.10958	.11064	.11172	.11281	.11391	.11503	.11617
22.4	.10767	.10870	.10975	.11081	.11189	.11299	.11410	.11522	.11636
22.5	.10783	.10887	.10992	.11099	.11207	.11317	.11428	.11541	.11655
22.6	.10800	.10904	.11009	.11116	.11225	.11335	.11446	.11560	.11674
22.7	.10817	.10921	.11027	.11134	.11243	.11353	.11465	.11578	.11694
22.8	.10833	.10938	.11044	.11152	.11261	.11371	.11484	.11597	.11713
22.9	.10850	.10955	.11061	.11169	.11279	.11390	.11502	.11616	.11732
23.0	.10867	.10972	.11079	.11187	.11297	.11408	.11521	.11635	.11752
23.1	.10884	.10989	.11096	.11205	.11315	.11426	.11540	.11654	.11771
23.2	.10901	.11006	.11114	.11223	.11333	.11445	.11558	.11674	.11791
23.3	.10918	.11024	.11131	.11240	.11351	.11463	.11577	.11693	.11810
23.4	.10935	.11041	.11149	.11258	.11369	.11482	.11596	.11712	.11830
23.5	.10952	.11058	.11167	.11276	.11388	.11501	.11615	.11732	.11850
23.6	.10969	.11076	.11184	.11294	.11406	.11519	.11634	.11751	.11869
23.7	.10986	.11093	.11202	.11313	.11425	.11538	.11653	.11770	.11889
23.8	.11003	.11111	.11220	.11331	.11443	.11557	.11673	.11790	.11909
23.9	.11021	.11129	.11238	.11349	.11462	.11576	.11692	.11810	.11929
24.0	.11038	.11146	.11256	.11367	.11480	.11595	.11711	.11829	.11949

§ 240.1019 *Instructions for use of Table VIII.* To find the pounds of wine spirits required, multiply the factor shown at the line for the percentage of alcohol desired in the column for the proof of the wine spirits to be used, by the difference between the percentage of alcohol of the wine before addition of the wine spirits and the percentage desired, then multiply the product by the number of gallons of wine to which the wine spirits are to be added.

§ 240.1020 *Examples.*

Example No. 1. How many pounds of wine spirits of 180 proof shall be added to 10,000 gallons of wine containing 10 percent alcohol to increase the alcohol content of the wine to 20 percent?

0.09918×(20−10)×10,000=9,918 pounds wine spirits required

Example 2. It is desired to raise the alcohol content of 10,000 gallons of wine containing 11.9 percent alcohol to 20.7 percent with wine spirits of 180.6 proof.

Interpolation between columns 181 and 180 is made as follows:

(0.10018−0.09927)×0.6=0.000546 difference.

0.10018−0.000546=0.099634 factor for 180.6 proof wine spirits.

0.099634 × (20.7−11.9) × 10.000=8,767.79 pounds of wine spirits required.

RULES FOR FINDING CAPACITY AND CONTENTS OF TANKS

§ 240.1021 *Round tanks of uniform dimensions, standing on end.* Ascertain the inside depth of the tank by accurately measuring the same with a rod or steel tape. Ascertain the diameter of the tank (1) by accurately measuring the inside width of the tank with a rod or steel tape, or (2) by measuring the outside circumference of the tank and dividing the same by 3.1416 and deducting from the quotient twice the thickness of the staves or sides of the tank. The result will be the inside diameter of the tank. After determining the depth and diameter of the tank in inches, multiply the diameter by itself and by the depth and by 0.0034, and the product will be the capacity of the tank in gallons.

§ 240.1022 *Examples.* (a) What is the capacity of a tank 120 inches in diameter and 100 inches in depth?

120 × 120 × 100 × 0.0034 = 4,896 gallons, capacity of tank.

(b) The capacity of the tank for 1 inch of depth can be determined by multiplying the diameter by itself and by 0.0034. What is the capacity per inch of depth of the above tank?

120 × 120 × 0.0034 = 48.96 gallons per inch.

(c) Where the tank is partly filled, the liquid contents can be determined by ascertaining the depth of the wine in inches and multiplying same by the capacity of the tank for 1 inch of depth. (The depth of the wine can be ascertained by measuring the same with a rod or steel tape or by measuring the dry inches in the tank and subtracting same from the depth of the tank.)

(d) What are the liquid contents of the above tank if the depth of the wine in it is 75 inches?

75 × 48.96 = 3,672 gallons of wine in tank.

§ 240.1023 *Round tanks standing on end and larger at bottom than at top, but not bulged in the middle.* Ascertain the inside diameter of the tank at the top and at the bottom and the inside depth of the tank in the manner set forth above. (In ascertaining the depth, the rod or tape should be run straight down and not allowed to follow the course of the staves or sides of the tank. All measurements should be in inches.) Add together the square of the top diameter, the square of the bottom diameter, and four times the square of the midway diameter (ascertained by adding the top and bottom diameters together and dividing by 2), and divide the sum by 6, which gives the square of the true mean diameter; multiply this by the depth of the tank, and the product will be the capacity in cylindrical inches. As there are 294 cylindrical inches in a gallon, divide this last product by 294, and the quotient will be the capacity of the tank in gallons.

§ 240.1024 *Examples.* (a) What is the capacity of a tank 108 inches in diameter at the top, 120 inches in diameter at the bottom, and 100 inches in depth?

(108+120)÷2=114 inches midway diameter.

(108×108)+(120×120)+(114×114×4)÷6=13,008.

(13,008×100)÷294=4,424 gallons, capacity of tank.

(b) The following rule is shorter and, though not mathematically correct, is for all practical purposes sufficiently so, unless the tank is much smaller at the top than at the bottom, and may be used in determining the capacity of such tanks: Add the top and bottom diameters, divide the sum by 2, multiply the quotient by itself and by 0.0034 and by the depth of the tank, the result will be the capacity of the tank in gallons.

(108+120)÷2=114 inches mean diameter.

114×114×100×0.0034=4,418 gallons, capacity of tank.

(c) To find the capacity for each foot of depth, subtract the top diameter from the bottom diameter, and divide the difference by the depth in inches to get the decrease in diameter for each inch of depth; multiply the quotient by 12, which gives the decrease in diameter per foot; subtract the product from the bottom diameter to get the diameter at 1 foot of depth from the bottom; add the bottom diameter and the diameter at 1 foot from the bottom, divide the sum by 2, multiply the quotient by itself and by 0.0034. The result will be the capacity of the tank for the first foot of depth.

(120−108)÷100=0.12 inches, decrease in diameter per inch of depth.

0.12×12=1.44 inches, decrease in diameter per foot of depth.

120−1.44=118.56 inches, diameter 1 foot from bottom.

(120+118.56)÷2=119.28 inches, mean diameter.

119.28×119.28×0.0034=48.37 gallons per inch for first foot.

48.37×12=580.44 gallons, capacity first foot.

The capacity for the next foot of depth can be ascertained by the same process of taking the diameter at the top of the first foot as the bottom diameter for the calculation. For example, the bottom diameter of the second foot of depth is 118.56 inches, and the top diameter would be 118.56−1.44 (decrease in diameter)=117.12 inches top diameter. By following the above rule the capacity for the second foot is found as follows:

(118.56+117.12)÷2=117.84 inches.

117.84×117.84×0.0034=47.21 gallons per inch for second foot.

47.21×12=566.52 gallons capacity for second foot.

Each other foot of depth can be found in the same way, care being used that each calculation is correct.

(d) To find the liquid contents when partly filled, ascertain the decrease in diameter of the tank per inch of depth by subtracting the top diameter of the tank from its bottom diameter and dividing the difference by the depth in inches of the tank, to get the decrease in diameter per inch of depth. Then ascertain the depth in inches of the liquid, and multiply the same by the decrease in diameter per inch of depth, the product will be the difference between the bottom diameter of the tank and the diameter of the tank at the top of the liquid. Then add these two diameters, divide the sum by 2, multiply the quotient by itself and by 0.0034 and by the depth in inches of the liquid. The result will be the gallons of liquid contained in the tank. What are the liquid contents of the above tank if the depth of the wine in it is 75 inches?

(120−108)÷100=0.12 inch, decrease in diameter per inch.

0.12×75=9 inches, difference between the bottom and top of wine.

120−9=111 inches, diameter at top of wine.

(111+120)÷2=115.5 inches, mean diameter.

115.5×115.5×0.0034×75=3,402 gallons, contents.

§ 240.1025 *Round tanks or casks bulged in the middle.* The capacities of casks bulged in the middle can best be determined by filling them with liquid and measuring such liquid (1) with an accurate meter, or (2) in a measuring tank or in a tank of uniform dimensions. The following rule while not mathematically correct may be used in taking inventories of such casks: Ascertain the inside head and middle diameters in the manner set forth under directions for finding the capacity of "Round Tanks of Uniform Dimensions, Standing on End." In doing this care should be used to get the true diameter at the head and at the center of the cask. Where the diameters are determined by taking the circumference and dividing same by 3.1416, the measurements should be made in the exact center of the cask and at the heads rather than at the end of the staves in cases where the staves extend beyond the heads. Add to the head diameter two-thirds of the difference between the head and middle diameter (if the staves are only slightly curved, add only six-tenths of the difference); this gives the mean diameter; multiply the mean diameter by itself and by the inside length, where the cask is lying on its side, or inside height where the cask is standing on one head, and by 0.0034. The result will be the capacity of the cask in gallons.

§ 240.1026 *Example.* A wine cask is 64 inches long, the head diameter is 36 inches, and the center diameter is 42 inches. What is the capacity of the cask?

42−36=6 inches difference in diameter.
(⅔ of 6)+36=40 inches mean diameter.
40×40×64×0.0034=348.16 gallons, capacity of cask.

§ 240.1027 *Square or rectangular tanks or vats with perpendicular sides.* (a) To find the capacity multiply the inside length by the inside breadth and by the inside height and divide by 231, the number of cubic inches in a gallon, the result will be the capacity in gallons of the tank or vat. For example, a rectangular tank is 120 inches long, 108 inches wide, and 100 inches deep. What is its capacity?

(120×108×100)÷231=5,610 gallons, capacity of tank.

(b) To find the capacity per inch of depth multiply the inside length by the inside breadth and divide by 231; the result will be the capacity per inch of depth. For example, what is the capacity per inch of depth of the above tank?

(120×108)÷231=56.10 gallons, capacity per inch.

(c) To find the liquid contents when partly filled multiply the depth of the wine in inches by the capacity per inch. For examle, what are the liquid contents of the above tank if the depth of the wine in it is 75 inches?

75×56.10=4,207.5 gallons, contents of tank.

§ 240.1028 *Square or rectangular tanks or vats larger at the top than at the bottom, or vice versa.* Find the mean length by adding the top length and the bottom length and dividing by 2. Find the mean width by adding the top width and the bottom width and dividing by 2. Multiply the mean length by the mean width and by the depth and divide by 231. The result will be the capacity of the tank in gallons.

§ 240.1029 *Examples.* (a) A rectangular tank is 120 inches long at the top and 108 inches at the bottom, 100 inches wide at the top and 90 inches at the bottom, and 72 inches deep. What is its capacity?

(120+108)÷2=114 inches, mean length.
(100+90)÷2=95 inches, mean width.
(114×95×72)÷231=3,375.5 gallons, capacity of tank.

(b) To find the contents when partly filled subtract the top length from the bottom length and divide the difference by the depth; the result will be the difference in length per inch of depth. Multiply the depth of the wine in inches by the difference in length per inch of depth to get the difference in length at the top of the wine and at the bottom of the tank. Add this difference to the bottom length to get the length at the top of the wine. Add the length at the top of the wine and the bottom length and divide by 2 to get the mean length. Find the mean width in the same way. Multiply the mean length by the mean width and by the depth of the wine and divide by 231; the result will be the contents of the tank in gallons. For example, what are the liquid contents of the above tank if the depth of the wine in it is 48 inches?

(120−108)÷72=⅙ inch, difference in length per inch of depth.
48×⅙=8 inches, difference in length top of wine.
108+8=116 inches, length at top of wine.
(108+116)÷2=112 inches, mean length.

The mean width is found in the same way:

(100−90)÷72×48=6⅔ inches, difference in width at top of wine.
(90+6⅔+90)÷2=93⅓ inches, mean width.
(112×93⅓×48)÷231=2,172 gallons, contents of tank.

[F. R. Doc. 54-9419; Filed, Nov. 24, 1954; 2:36 p. m.]

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

[7 CFR Part 907]

[Docket No. AO 212-A8]

HANDLING OF MILK IN THE MILWAUKEE, WISCONSIN, MARKETING AREA

DECISION WITH RESPECT TO A PROPOSED MARKETING AGREEMENT AND A PROPOSED ORDER AMENDING THE ORDER, AS AMENDED

Pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U. S. C. 601 et seq.), and the applicable rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and marketing orders (7 CFR Part 900), a public hearing was conducted at Milwaukee, Wisconsin, on July 23, 1954, pursuant to notice thereof which was issued on July 15, 1954 (19 F. R. 4478).

Upon the basis of the evidence introduced at the hearing and the record thereof, the Acting Deputy Administrator, Agricultural Marketing Service on October 26, 1954, filed with the Hearing Clerk, United States Department of Agriculture, his recommended decision with respect to certain issues, and an opportunity to file written exceptions thereto. This recommended decision was published in the FEDERAL REGISTER on October 29, 1954 (19 F. R. 6972).

A previous recommended decision (19 F. R. 4998) filed on August 4, 1954, with the Hearing Clerk and a decision of the Secretary filed on August 16, 1954 (19 F. R. 5267), dealt with the issues of this record for a limited period, and provided that further action on the record would be taken for months after November 1954. This decision deals with the same issues with respect to periods following November 1954.

The material issues, findings and conclusions, and general findings of the recommended decision (F. R. Doc. 54-8538; 19 F. R. 6972), are hereby approved and adopted as the findings and conclusions of this decision as if set forth in full herein, subject to following corrections (paragraphs 1 and 2) and addition (paragraph 3):

1. Delete the last sentence in the first paragraph beginning in column 2, page 6972, and substitute therefor the following: "In recognition of the relationship of the markets, class prices in one should follow closely class prices in the other."

2. In the first paragraph beginning in column 3, page 6972, delete the words "September–November period" and substitute therefor the words, "August–November period."

3. Add the following as the second paragraph in column 3, page 6972:

In the recommended decision of October 26, 1954 (19 F. R. 6972) reference was made to the recent recommended decision on proposed amendments to the Chicago milk order in which it was concluded that (a) the Class II differentials in such market should be 45 cents for the December–July period and 70 cents for the August–November period, and (b) the supply-demand limitation of 24 cents per hundredweight should be continued after November. Such Class II differentials and supply-demand adjustment limitation for the Chicago market have now been affirmed by a final decision on the proposed amendments to the Chicago order.

Ruling on exceptions. There were no exceptions received to the recommended decision.

Determination of representative period. The month of August 1954 is hereby determined to be the representative period for the purpose of ascertaining whether the issuance of an order amending the order, as amended, regulating the handling of milk in the Milwaukee, Wisconsin, marketing area in the manner set forth in the attached amending order is approved or favored by producers who during such period were engaged in the production of milk for sale in the marketing area specified in such marketing order, as amended.

Marketing agreement and order. Annexed hereto and made a part hereof are two documents entitled respectively, "Marketing Agreement Regulating the Handling of Milk in the Milwaukee, Wisconsin, Marketing Area," and "Order Amending the Order, as amended, Regulating the Handling of Milk in the Milwaukee, Wisconsin, Marketing Area," which have been decided upon as the detailed and appropriate means of effectuating the foregoing conclusions. These documents shall not become effective unless and until the requirements of § 900.14 of the rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and orders have been met.

It is hereby ordered, That all of this decision, except the attached marketing agreement, be published in the FEDERAL REGISTER. The regulatory provisions of said marketing agreement are identical with those contained in the order, as amended, and as hereby proposed to be further amended by the attached order which will be published with this decision.

This decision filed at Washington, D. C., this 23d day of November 1954.

[SEAL] EARL L. BUTZ,
Assistant Secretary.

Order[1] *Amending the Order, as Amended, Regulating the Handling of Milk in the Milwaukee, Wisconsin, Marketing Area*

§ 907.0 *Findings and determinations.* The findings and determinations hereinafter set forth are supplementary and in addition to the findings and determinations previously made in connection with the issuance of the aforesaid order and all of said previous findings and determinations are hereby ratified and affirmed, except insofar as such findings and determinations may be in conflict with findings and determinations set forth herein.

(a) *Findings upon the basis of the hearing record.* Pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U. S. C. 601 et seq.), and the applicable rules of practice and procedure, as amended, governing the formulation of marketing agreements and marketing orders (7 CFR Part 900), a public hearing was held upon certain proposed amendments to the tentative marketing agreement and to the order, as amended, regulating the handling of milk in the Milwaukee, Wisconsin, marketing area. Upon the basis of the evidence introduced at such hearing and the record thereof, it is found that:

(1) The said order, as amended, and as hereby further amended, and all of the terms and conditions thereof, will tend to effectuate the declared policy of the act;

(2) The parity prices of milk as determined pursuant to section 2 of the act are not reasonable in view of the price of feeds, available supplies of feeds, and other economic conditions which affect market supply and demand for milk in the marketing area, and the minimum prices specified in the order, as amended, and as hereby further amended, are such prices as will reflect the aforesaid factors, insure a sufficient quantity of pure and wholesome milk, and be in the public interest; and

(3) The said order, as amended, and as hereby further amended, regulates the handling of milk in the same manner as, and is applicable only to persons in the respective classes of industrial and commercial activity, specified in a marketing agreement upon which a hearing has been held.

Order relative to handling. It is therefore ordered that on and after the effective date hereof the handling of milk in the Milwaukee, Wisconsin, marketing area shall be in conformity to and in compliance with the terms and conditions of the aforesaid order, as amended, and as hereby further amended, and the aforesaid order, as amended, is hereby amended as follows:

1. In § 907.51 (a) delete the proviso and substitute: "*Provided*, That such Class I price differential shall be increased or decreased, respectively, 3 cents for each full percent that the current supply-demand ratio computed pursuant to paragraph (e) of this section is greater or less than 72 percent, but shall not be increased or decreased more than 24 cents due to the supply-demand ratio."

2. In § 907.51 delete paragraph (b) and substitute:

(b) *Class II milk.* The price for Class II milk shall be the basic formula price plus the following amounts as indicated: August, September, October and November, 70 cents; all other months, 45 cents: *Provided*, That such Class II price differentials shall be adjusted by the amount of any adjustment made in the Class I price differential for the same month pursuant to the proviso of paragraph (a) of this section.

[F. R. Doc. 54-9384; Filed, Nov. 26, 1954; 8:51 a. m.]

[1] This order shall not become effective unless and until the requirements of § 900.14 of the rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and orders have been met.

[7 CFR Part 941]

[Docket No. AO-101-A18]

HANDLING OF MILK IN THE CHICAGO, ILLINOIS, MARKETING AREA

DECISION WITH RESPECT TO PROPOSED MARKETING AGREEMENT AND PROPOSED ORDER AMENDING THE ORDER, AS AMENDED

Pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U. S. C. 601 et seq.), and the applicable rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and marketing orders (7 CFR Part 900), a public hearing was conducted at Chicago, Illinois, on June 1-4, 7-11, and 14-15, pursuant to notice thereof which was issued on May 20, 1954 (19 F. R. 3028).

Upon the basis of the evidence introduced at the hearing and the record thereof, the Deputy Administrator, Agricultural Marketing Service, on October 22, 1954 (19 F. R. 6929) filed with the Hearing Clerk, United States Department of Agriculture, a recommended decision with respect to certain issues, and an opportunity to file written exception thereto.

A previous recommended decision (19 F. R. 4730) filed on July 28, 1954, by the Deputy Administrator of the Agricultural Marketing Service, and a decision by the Secretary on August 16, 1954 (19 F. R. 5268), dealt with issue No. 1, as listed herein, and certain aspects of issues No. 2 and No. 3. The recommended decision issued on October 22, 1954, dealt with the remaining matters under issues numbered 2 through 16, except for issue No. 5 (prices for milk picked up at the farm by tank trucks), on which action is deferred.

The material issues, findings and conclusions, and general findings of the recommended decision (19 F. R. 6929; F. R. Doc. 54-8476) are hereby approved and adopted as the findings and conclusions of this decision as if set forth in full herein, except as follows:

1. Delete the fifth paragraph beginning in column 2, page 6931 and substitute therefor the following:

The Class I price differentials should be revised but without significant change in their annual average.

2. Delete the 4th and 5th paragraphs beginning in column 3, page 6931 and substitute therefor the following:

The schedule of Class I differentials contained in the recommended decision were $1.10 for the months of August through November and 80 cents for other months. However, the producer association which submitted the original proposal and an association of handlers representing a large proportion of the milk marketed filed exceptions to the schedule of Class I differentials proposed in the recommended decision and requested a different seasonal pattern of differentials which would result in the same annual average. The differentials requested would be $1.10 through August-November, 70 cents March through June, and 90 cents for other months. It was indicated that the latter seasonal pattern would be preferable to that proposed in the recommended decision because it would result in a maximum change of 20 cents in the differential from any one month to another and a price level in the flush production months more nearly competitive with prices locally paid in those out-of-area markets where Chicago handlers have regular sales of Class I milk. Upon review, it is concluded that the latter pattern of differentials will be appropriate under present market conditions and in relation to other order provisions.

3. In the second line of the second full paragraph beginning on page 6937 delete the words "Class I price" and substitute "class prices."

4. After the first full paragraph beginning in the second column on page 6937 insert a paragraph as follows: "In § 941.50, the exception applying to May, June, and July 1954, is obsolete and should be deleted."

Rulings on exceptions. In arriving at the findings and conclusions included in this decision, each of the exceptions received was carefully and fully considered in conjunction with the record evidence pertaining thereto. To the extent that the findings and conclusions herein are at variance with the exceptions, such exceptions are overruled.

Determination of representative period. The month of August 1954 is hereby determined to be the representative period for the purpose of ascertaining whether the issuance of the order amending the order, now in effect, regulating the handling of milk in the Chicago, Illinois, marketing area, in the manner set forth in the attached amending order is approved or favored by producers who, during such period, were engaged in the production of milk for sale in the marketing area specified in such marketing order.

Marketing agreements and orders. Annexed hereto and made a part hereof are documents entitled, respectively, "Marketing Agreement Regulating the Handling of Milk in the Chicago, Illinois, Marketing Area," and "Order Amending the Order, as amended, Regulating the Handling of Milk in the Chicago, Illinois, Marketing Area," which have been decided upon as the detailed and appropriate means of effectuating the foregoing conclusions. These documents shall not become effective unless and until the requirements of § 900.14 of the rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and orders have been met.

It is hereby ordered, That all of this decision except the attached marketing agreement be published in the FEDERAL REGISTER. The regulatory provisions of said marketing agreement are identical with those contained in the order, as amended, and as hereby proposed to be further amended by the attached order which will be published with this decision.

This decision filed at Washington, D. C., this 23d day of November 1954.

[SEAL] EARL L. BUTZ,
Assistant Secretary.

Order[1] *Amending the Order, as Amended, Regulating the Handling of Milk in the Chicago, Illinois, Marketing Area*

§ 941.0 *Findings and determinations.* The findings and determinations hereinafter set forth are supplementary and in addition to the findings and determinations previously made in connection with the issuance of the aforesaid order and of the previously issued amendment thereto; and all of said previous findings and determinations are hereby ratified and affirmed, except insofar as such findings and determinations may be in conflict with the findings and determinations set forth herein.

(a) *Findings upon the basis of the hearing record.* Pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U. S. C. 601 et seq.), and the applicable rules of practice and procedure, as amended, governing the formulation of marketing agreements and orders (7 CFR Part 900), a public hearing was held upon certain proposed amendments to the tentative marketing agreement and to the order, as amended, regulating the handling of milk in the Chicago, Illinois, marketing area. Upon the basis of the evidence introduced at each hearing and the record thereof, it is found that:

(1) The said order, as amended, and as hereby further amended, and all of the terms and conditions thereof, will tend to effectuate the declared policy of the act;

(2) The parity prices of milk as determined pursuant to section 2 of the Act are not reasonable in view of the price of feeds, available supplies of feeds, and other economic conditions which affect market supply and demand for milk in the said marketing area, and the minimum prices specified in the order, as amended, and as hereby further amended, are such prices as will reflect the aforesaid factors, insure a sufficient quantity of pure and wholesome milk and be in the public interest; and

[1] This order shall not become effective unless and until the requirements of § 900.14 of the rules of practice and procedure, as amended, governing proceedings to formulate marketing agreements and orders have been met.

(3) The said order, as amended, and as hereby further amended, regulates the handling of milk in the same manner as and is applicable only to persons in the respective classes of industrial and commercial activity specified in a marketing agreement upon which a hearing has been held.

Order relative to handling. It is therefore ordered, that on and after the effective date hereof the handling of milk in the Chicago, Illinois, marketing area shall be in conformity to and in compliance with the terms and conditions of the aforesaid order, as amended, and as hereby further amended, and the aforesaid order, as amended, is hereby further amended, as follows:

1. In § 941.7 (b) delete the word "July" and substitute the word "September."

2. In § 941.40 (b) after the words "plastic cream," delete the words "powdered cream."

3. Delete § 941.40 (c) and substitute the following:

(c) Any milk moved as milk, skim milk, or cream in fluid form from a regulated plant to the establishment of a commercial food or drug processor located within the surplus milk manufacturing area or to an unregulated milk plant so located, which milk plant manufactured during the delivery period butter, cheese, evaporated milk, condensed milk or skim milk, whole milk powder, nonfat dry milk solids, casein, powdered ice cream mix, or powdered cream, shall be classified under § 941.41 as follows:

(1) If the unregulated plant or establishment maintains adequate daily records showing the utilization of the milk, skim milk or cream, it shall be classified according to its use;

(2) If the unregulated plant or establishment maintains adequate daily records showing the utilization of all receipts of milk and milk products, and the milk, skim milk or cream received from the regulated plant are commingled with other receipts, the receipts of milk, or skim milk from the regulated plant shall be allocated according to such daily records, to the available quantity of Class III (a) milk, Class III milk, Class IV milk, Class II milk and Class I milk in that sequence; and any such receipts of cream from the regulated plant shall be allocated to Class IV milk, Class III milk, Class III (a) milk, Class II milk and Class I milk in that sequence;

(3) If such unregulated plant or establishment does not make available to the market administrator adequate utilization records on a daily basis, but does make available to the market administrator adequate utilization records on a monthly basis, the milk or skim milk received from the regulated plant shall be allocated to the available quantity of Class I milk, Class II milk, Class III milk, Class III (a) milk and Class IV milk, in that sequence; and the cream received from a regulated plant shall be allocated to the available quantities of Class II milk, Class III milk, Class III (a) milk, Class IV milk and Class I milk, in that sequence;

(4) If the unregulated plant or establishment described in subparagraphs (1), (2) and (3) of this paragraph, disposes of milk, skim milk or cream in bulk to another unregulated milk plant located within the surplus milk manufacturing area which is engaged in manufacturing one of the products named in this paragraph, the classification of such milk, skim milk or cream shall be ascertained at the second unregulated milk plant in the manner prescribed in subparagraphs (1), (2) or (3) of this paragraph whichever would be applicable to the second unregulated plant; and

(5) If the unregulated plant or establishment described in subparagraphs (1), (2) or (3) of this paragraph, disposes of milk, skim milk or cream in bulk to another unregulated plant located within the surplus milk manufacturing area which is not engaged in manufacturing one of the products named in this paragraph, such milk moved as milk or skim milk shall be classified as Class I milk, and such milk moved as cream in fluid form shall be classified as Class II milk.

4. In § 941.41 (b) after the words "plastic cream," delete the words "powdered cream," and after the words "ice cream mix (liquid" delete the words "or powder."

5. In § 941.51 delete paragraph (d).

6. In § 941.52 (d) delete subparagraph (4).

7. Delete § 941.52 (a) (1) and substitute the following:

(1) The price for Grade A Class I milk, except as set forth in subparagraph (3) of this paragraph, shall be the basic formula price plus the following amount for the delivery periods indicated: August, September, October, and November, $1.10; December, January, February, and July, $0.90; all others, $0.70: *Provided*, That such Class I price differential shall be increased or decreased, respectively, 3 cents for each full percent that the current supply-demand ratio is greater or less than 72 percent, but shall not be increased or decreased more than 24 cents because of the supply-demand ratio.

8. Delete § 941.52 (b) (1) and substitute the following:

(1) The price for Grade A Class II milk, except as set forth in subparagraph (3) of this paragraph, shall be the basic formula price plus the following amount for the delivery periods indicated: August, September, October, and November, $0.70; all others, $0.45: *Provided*, That such Class II price differential shall be adjusted by the amount of any adjustment made in the Class I price differential for the same delivery period pursuant to the proviso of paragraph (a) (1) of this section.

9. In § 941.52 delete paragraph (c) and substitute:

(c) *Class III milk.* The price per hundredweight for Class III milk shall be the higher of the prices resulting from the formula set forth in paragraph (d) of this section and the average (adjusted to the nearest full cent) of the prices per hundredweight reported to have been paid, or to be paid, for such delivery period to farmers for milk containing 3.5 percent butterfat delivered during such delivery period at each of the following listed manufacturing plants or places for which prices are reported to the United States Department of Agriculture or to the market administrator: *Provided*, That the price resulting from the formula set forth in this paragraph shall apply at all times to Class III (a) milk.

Companies and Location

Borden Co., Mount Pleasant, Mich.
Borden Co., New London, Wis.
Borden Co., Orfordville, Wis.
Carnation Co., Berlin, Wis.
Carnation Co., Chilton, Wis.
Carnation Co., Oconomowoc, Wis.
Carnation Co., Richland Center, Wis.
Carnation Co., Sparta, Mich.
Pet Milk Co., Belleville, Wis.
Pet Milk Co., Coopersville, Mich.
Pet Milk Co., Hudson, Mich.
Pet Milk Co., New Clarus, Wis.
Pet Milk Co., Wayland, Mich.
White House Milk Co., Manitowoc, Wis.
White House Milk Co., West Bend, Wis.

10. In § 941.52 (d) (3) delete the period at the end of the sentence and add the following: "and adjust to the nearest full cent."

11. In § 941.60 delete the words "and from other handlers."

12. In § 941.67 (a) (1) (i) after the words "skim milk" insert the words "concentrated milk, condensed skim milk."

13. In § 941.71 (f) delete the words "4 cents nor more than 5 cents," and substitute therefor the words "6 cents nor more than 7 cents."

14. In § 941.50 change the comma just preceding the word "except" to a period, and delete the rest of the sentence.

[F. R. Doc. 54-9383; Filed, Nov. 26, 1954; 8:51 a. m.]

[7 CFR Part 970]

IRISH POTATOES GROWN IN MAINE

NOTICE OF PROPOSED EXPENSES AND RATES OF ASSESSMENT

Notice is hereby given that the Secretary of Agriculture is considering the approval of the establishment of the dates for fiscal periods and of the expenses and rates of assessment hereinafter set forth which were recommended by the Maine Potato Administrative Committee established pursuant to Marketing Agreement No. 122 and Order No. 70 (7 CFR Part 970; 19 F. R. 5469), regulating the handling of Irish potatoes grown in the State of Maine, issued under the Agricultural Marketing Agreement Act of 1937, as amended (48 Stat. 31, as amended; 7 U. S. C. 601 et seq.).

Consideration will be given to any data, views, or arguments, pertaining thereto, which are filed in triplicate with the Director, Fruit and Vegetable Division, Agricultural Marketing Service, U. S. Department of Agriculture, Washington 25, D. C., not later than 15 days following publication of this notice in the FEDERAL REGISTER. The proposals are as follows:

§ 970.201 *Fiscal period.* The initial fiscal period shall begin on the effective date of this part, August 30, 1954, and end July 31, 1955, both dates inclusive. Thereafter, each fiscal period shall begin on August 1 of each year and end July 31 of the following year, both dates inclusive.

§ 970.202 *Expenses and rates of assessment.* (a) The reasonable expenses that are likely to be incurred by the Maine Potato Administrative Committee, established pursuant to Marketing Agreement No. 122 and Order No. 70, to enable such committee to perform its functions pursuant to the provisions of the aforesaid marketing agreement and order, during the fiscal period ending July 31, 1955, will amount to $49,895.00.

(b) The rates of assessment to be paid by each handler pursuant to Marketing Agreement 122 and Order No. 70, shall be $1.25 per car, or equivalent thereof, 80 cents per truck load of 25,000 pounds and more, and 50 cents per truck load of less than 25,000 pounds, handled by him as the first handler thereof during said fiscal period.

(c) The terms used in this section shall have the same meaning as when used in Marketing Agreement No. 122 and Order No. 70.

(Sec. 5, 49 Stat. 753, as amended; 7 U. S. C. 608c)

Done at Washington, D. C., this 22d day of November 1954.

[SEAL] S. R. SMITH,
Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[F. R. Doc. 54-9351; Filed, Nov. 26, 1954; 8:46 a. m.]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Food and Drug Administration

[21 CFR Part 19]

CHEESES; PROCESSED CHEESES; CHEESE FOODS; CHEESE SPREADS; AND RELATED FOODS; DEFINITIONS AND STANDARDS OF IDENTITY

NOTICE OF PROPOSAL TO AMEND DEFINITIONS AND STANDARDS OF IDENTITY FOR CERTAIN CHEESES AND RELATED PRODUCTS

In the matter of amending the definitions and standards of identity for muenster cheese, munster cheese; monterey cheese; pasteurized process cheese food; pasteurized process cheese food with fruits, vegetables, or meats; pasteurized process cheese spread; pasteurized cheese spread; pasteurized process cheese spread with fruits, vegetables, or meats; pasteurized cheese spread with fruits, vegetables, or meats; cold-pack cheese food; and cold-pack cheese food with fruits, vegetables, or meats:

Notice is hereby given that a petition has been filed by the National Cheese Institute, Inc., whose members include manufacturers of cheeses and processed cheeses and assemblers, wholesalers, and distributors of all types of cheese, setting forth proposals to amend the definitions and standards of identity for the cheeses, cheese spreads, and cheese foods enumerated above. Pursuant to the authority of the Federal Food, Drug, and Cosmetic Act (sec. 401, 52 Stat. 1046, as amended by 68 Stat. 54; 21 U. S. C. 341), the Secretary of Health, Education, and Welfare invites all interested persons to present their views in writing regarding the proposals published in this notice, and to submit such comments in quintuplicate prior to the thirtieth day following the publication of this notice in the FEDERAL REGISTER. Written comments should be addressed to the Hearing Clerk, Department of Health, Education, and Welfare, Room 5440, Health, Education, and Welfare Building, Washington 25, D. C.

A. The petitioner's proposals are as follows:

1. It is proposed that § 19.550 *Muenster cheese, munster cheese; identity* be amended in the following respects:

a. In paragraph (a), first sentence, delete the word "pasteurized". The first sentence will then read: "Muenster cheese, munster cheese, is the food prepared from milk and other ingredients specified in this section, by the procedure set forth in paragraph (b) of this section, or by another procedure which produces a finished cheese having the same physical and chemical properties as the cheese produced when the procedure set forth in paragraph (b) of this section is used."

b. In paragraph (a), last sentence, change the number "46" to "45". The last sentence will then read: "It contains not more than 45 percent of moisture, and its solids contain not less than 50 percent of milk fat, as determined by the methods prescribed in § 19.500 (c)."

c. At the end of paragraph (a), add a new sentence reading: "If the milk used is not pasteurized, the cheese so made is cured at a temperature of not less than 35° F. for not less than 60 days."

d. In paragraph (b), first sentence, change the words "is pasteurized" to "may be pasteurized". The first sentence will then read: "Milk, which may be pasteurized or clarified or both, and which may be warmed, is subjected to the action of harmless lactic-acid-producing bacteria, present in such milk or added thereto."

2. It is proposed that § 19.580 *Monterey cheese; identity* be amended in the following respects:

a. In paragraph (a), delete the second sentence reading: "Monterey cheese is made in sizes not exceeding 12 pounds in weight."

b. In paragraph (b), change the fifth and sixth sentences to read: "The curd is drained and placed in a muslin or sheeting cloth, formed into a ball, and pressed; or the curd is placed in a cheese hoop and pressed. Later, the cloth bandage is removed, and the cheese may be covered with paraffin or dipped in vegetable oil, and may have rice flour sprinkled on the surface."

3. It is proposed that in § 19.765 *Pasteurized process cheese food; identity; label statement of optional ingredients,* paragraph (d) be amended by adding "skim-milk cheese for manufacturing" to the list of optional dairy ingredients. The paragraph would then read as follows:

(d) The optional dairy ingredients referred to in paragraph (a) of this section are cream, milk, skim milk, cheese whey, or any mixture of two or more of these, or any of the foregoing from which part of the water has been removed, albumin from cheese whey, and skim-milk cheese for manufacturing.

4. It is proposed that in § 19.775 *Pasteurized process cheese spread; identity; label statement of optional ingredients*, paragraph (d) be amended by adding "skim-milk cheese for manufacturing" to the list of optional dairy ingredients. The paragraph would then read as follows:

(d) The optional dairy ingredients referred to in paragraph (a) of this section are cream, milk, skim milk, cheese whey, or any mixture of two or more of these, or any of the foregoing from which part of the water has been removed, albumin from cheese whey, and skim-milk cheese for manufacturing.

5. It is proposed that in § 19.787 *Cold-pack cheese food; identity; label statement of optional ingredients*, paragraph (d) be amended by adding "skim-milk cheese for manufacturing" to the list of optional dairy ingredients. The paragraph would then read as follows:

(d) The optional dairy ingredients referred to in paragraph (a) of this section are: Cream, milk, skim milk, cheese whey, or any mixture of two or more of these or any of the foregoing from which part of the water has been removed, skim-milk cheese for manufacturing, and albumin from cheese whey. All optional dairy ingredients used in cold-pack cheese food are pasteurized or made from products which have been pasteurized.

B. The proposed amendments outlined in 3, 4, and 5 would likewise amend the definitions and standards of identity for pasteurized process cheese food with fruits, vegetables, or meats; pasteurized cheese spread; pasteurized process cheese spread with fruits, vegetables, or meats; pasteurized cheese spread with fruits, vegetables, or meats; and cold-pack cheese food with fruits, vegetables, or meats by permitting skim-milk cheese for manufacturing as an optional dairy ingredient. (See §§ 19.770, 19.776, 19.780, 19.781, 19.788, 21 CFR, 1953 Supp.)

The National Cheese Institute also submitted proposals which would permit the bleaching of milk used for making several varieties of cheese and permit the artificial coloring of swiss cheese. These proposals are not published at this time. Additional information has been requested as to the facts that would warrant a conclusion that such proposals would promote honesty and fair dealing in the interest of consumers.

Dated: November 22, 1954.

[SEAL] OVETA CULP HOBBY, *Secretary.*

[F. R. Doc. 54-9348; Filed, Nov. 26, 1954; 8:46 a. m.]

FEDERAL POWER COMMISSION

[18 CFR Part 154]

[Docket No. R-142]

FIXING OF RATES TO BE CHARGED BY INDEPENDENT PRODUCERS FOR NATURAL GAS SOLD IN INTERSTATE COMMERCE FOR RESALE

CONSIDERATION OF PRINCIPLES AND METHODS TO BE APPLIED

NOVEMBER 17, 1954.

1. Notice is hereby given that the Federal Power Commission has under consideration principles and methods to be applied in the fixing of rates to be charged by independent producers of natural gas sold in interstate commerce for resale, or transported in interstate commerce.

2. Necessary to a determination of the rates permitted by the Natural Gas Act to be made, demanded or received by a natural-gas company is the choice of methods to be used in determining the just and reasonable rate for any particular sale. The Commission, recognizing the basic differences between the operations of a producer and those of a pipe-line company, is desirous of securing any information, suggestions or proposals bearing upon the possible effect the several approaches might have upon the public interests towards which the Natural Gas Act is directed.

3. The Commission, therefore, is inviting the submission of suggestions as to the principles and methods to be applied by it in its regulation of the rates to be charged by independent producers for the transportation or sale of natural gas subject to the jurisdiction of the Commission. It does not desire and will not consider in this connection any further argument on matters of jurisdiction, since for this purpose it assumes that the question of jurisdiction is not involved. The Commission requests that there be no reargument of the legal questions decided by the United States Supreme Court on June 7, 1954 in Phillips Petroleum Company v. Wisconsin et al., 347 U. S. 672.

4. This is a matter of national importance and the Commission invites members of the industry, producers, gatherers, interstate pipeline companies, distributors, consumers, groups and associations representative thereof, State commissions, municipalities, and any other interested persons to submit information, data, views, comments or suggestions in writing concerning the problem. Submittals should be addressed to the Secretary, Federal Power Commission, Washington 25, D. C., for receipt not later than December 13, 1954. An original and nine copies of submittals should be filed.

5. Oral argument on these matters will be held before the Commission on December 15, 1954, at 10:00 a. m., e. s. t., in the Commission's Hearing Room, 441 G Street NW., Washington, D. C. Any person desiring to participate in the oral argument shall notify the Secretary of the Commission on or before December 3, 1954 of such intention and of the amount of time desired for presentation of argument.

[SEAL] J. H. GUTRIDE, *Assistant Secretary.*

[F. R. Doc. 54-9347; Filed, Nov. 26, 1954; 8:46 a. m.]

NOTICES

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

ALASKA

NOTICE OF PROPOSED WITHDRAWAL AND RESERVATION OF LANDS

NOVEMBER 17, 1954.

An application, serial number Anchorage 022363, for the withdrawal from all forms of appropriation under the public land laws, of the lands described below was filed on September 8, 1952, by Civil Aeronautics Administration, Department of Commerce. The purposes of the proposed withdrawal: Maintenance of a radio communication repeater station near Lena Point about 17 miles northwest of Juneau, Alaska.

For a period of 30 days from the date of publication of this notice, persons having cause to object to the proposed withdrawal may present their objections in writing to the Area Administrator, Area 4, Bureau of Land Management, Department of the Interior at Box 480, Anchorage, Alaska. In case any objection is filed and the nature of the opposition is such as to warrant it, a public hearing will be held at a convenient time and place, which will be announced, where opponents to the order may state their views and where proponents of the order can explain its purpose.

The determination of the Secretary on the application will be published in the FEDERAL REGISTER, either in the form of a public land order or in the form of a Notice of Determination if the application is rejected. In either case, a separate notice will be sent to each interested party of record.

The lands involved in the application are:

Beginning at a point about 3.90 chs. (257.4 ft.) north of the north side of the Lena Point Road, at corner No. 7, U. S. Survey No. 2871; thence N. 86° 24′ W., 7.925 chs. (523.05 ft.) to Cor. No. 6, U. S. Survey No. 2871; thence S. 00° 02′ E., 2.985 chs. (197.01 ft.) to Cor. No. 5, U. S. Survey No. 2871; thence S. 61° 12′ W., 0.395 chs. (26.07 ft.) to Cor. No. 4, U. S. Survey No. 2871; thence S. 00° 45′ E., 0.037 chs. (2.44 ft.) on line 3-4, U. S. Survey No. 2871 to a point 50 ft. from the center line of Lena Point Road; thence N. 87° 11′ W., 15.70 chs. (1,036.20 ft.); thence North 30.713 chs. (2,027.06 ft.) to intersection with line 3-4, U. S. Survey No. 3264, thence S. 63° 31′ 30″