

114TH CONGRESS
1ST SESSION

S. 1562

To amend the Internal Revenue Code of 1986 to reform taxation of alcoholic beverages.

IN THE SENATE OF THE UNITED STATES

JUNE 11, 2015

Mr. WYDEN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to reform taxation of alcoholic beverages.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS; RULE OF**
4 **CONSTRUCTION.**

5 (a) **SHORT TITLE.**—This Act may be cited as the
6 “Craft Beverage Modernization and Tax Reform Act of
7 2015”.

8 (b) **TABLE OF CONTENTS.**—The table of contents of
9 this Act is as follows:

Sec. 1. Short title; table of contents; rule of construction.

TITLE I—BONDING AND CAPITALIZATION REQUIREMENTS

- Sec. 101. Removal of bond requirements and extending filing periods for certain taxpayers with limited excise tax liability.
- Sec. 102. Production period for beer, wine, and distilled spirits.

TITLE II—BEER

- Sec. 201. Reduced rate of excise tax on beer.
- Sec. 202. Use of wholesome products suitable for human food consumption in the production of fermented beverages.
- Sec. 203. Simplification of rules regarding records, statements, and returns.
- Sec. 204. Transfer of beer between bonded facilities.

TITLE III—HARD CIDER

- Sec. 301. Modification of definition of hard cider.

TITLE IV—WINE

- Sec. 401. Reduced rate of excise tax on wine produced domestically by certain qualifying producers.
- Sec. 402. Adjustment of alcohol content level for application of excise tax rates.

TITLE V—DISTILLED SPIRITS

- Sec. 501. Reduced rate of excise tax on certain distilled spirits.
- Sec. 502. Exemption of home distillery establishments from certain taxation and bonding requirements.

TITLE VI—PROGRAM INTEGRITY AND EXCISE TAX ADMINISTRATION

- Sec. 601. Program Integrity Cap Adjustment for the Alcohol and Tobacco Tax and Trade Bureau.
- Sec. 602. Increase information sharing to administer excise taxes.

1 (c) **RULE OF CONSTRUCTION.**—Nothing in this Act,
 2 the amendments made by this Act, or any regulation pro-
 3 mulgated under this Act or the amendments made by this
 4 Act, shall be construed to preempt, supersede, or other-
 5 wise limit or restrict any State, local, or tribal law that
 6 prohibits or regulates the production or sale of distilled
 7 spirits, wine, or malt beverages.

1 **TITLE I—BONDING AND CAP-**
 2 **ITALIZATION REQUIREMENTS**

3 **SEC. 101. REMOVAL OF BOND REQUIREMENTS AND EX-**
 4 **TENDING FILING PERIODS FOR CERTAIN**
 5 **TAXPAYERS WITH LIMITED EXCISE TAX LI-**
 6 **ABILITY.**

7 (a) FILING REQUIREMENTS.—Paragraph (4) of sec-
 8 tion 5061(d) of the Internal Revenue Code of 1986 is
 9 amended—

10 (1) in subparagraph (A)—

11 (A) by striking “In the case of” and in-
 12 serting the following:

13 “(i) MORE THAN \$1,000 AND NOT
 14 MORE THAN \$50,000 IN TAXES.—Except as
 15 provided in clause (ii), in the case of”,

16 (B) by striking “under bond for deferred
 17 payment”, and

18 (C) by adding at the end the following new
 19 clause:

20 “(ii) NOT MORE THAN \$1,000 IN
 21 TAXES.—In the case of any taxpayer who
 22 reasonably expects to be liable for not
 23 more than \$1,000 in taxes imposed with
 24 respect to distilled spirits, wines, and beer
 25 under subparts A, C, and D and section

1 7652 for the calendar year and who was
2 liable for not more than \$1,000 in such
3 taxes in the preceding calendar year, the
4 last day for the payment of tax on with-
5 drawals, removals, and entries (and arti-
6 cles brought into the United States from
7 Puerto Rico) shall be the 14th day after
8 the last day of the calendar year.”, and

9 (2) in subparagraph (B)—

10 (A) by striking “Subparagraph (A)” and
11 inserting the following:

12 “(i) EXCEEDS \$50,000 LIMIT.—Sub-
13 paragraph (A)(i)”, and

14 (B) by adding at the end the following new
15 clause:

16 “(ii) EXCEEDS \$1,000 LIMIT.—Sub-
17 paragraph (A)(ii) shall not apply to any
18 taxpayer for any portion of the calendar
19 year following the first date on which the
20 aggregate amount of tax due under sub-
21 parts A, C, and D and section 7652 from
22 such taxpayer during such calendar year
23 exceeds \$1,000, and any tax under such
24 subparts which has not been paid on such
25 date shall be due on the 14th day after the

1 last day of the calendar quarter in which
2 such date occurs.”.

3 (b) BOND REQUIREMENTS.—

4 (1) IN GENERAL.—Section 5551 of such Code
5 is amended—

6 (A) in subsection (a), by striking “No indi-
7 vidual” and inserting “Except as provided
8 under subsection (d), no individual”, and

9 (B) by adding at the end the following new
10 subsection:

11 “(d) REMOVAL OF BOND REQUIREMENTS.—

12 “(1) IN GENERAL.—During any period to which
13 subparagraph (A) of section 5061(d)(4) applies to a
14 taxpayer (determined after application of subpara-
15 graph (B) thereof), such taxpayer shall not be re-
16 quired to furnish any bond covering operations or
17 withdrawals of distilled spirits or wines for non-
18 industrial use or of beer.

19 “(2) SATISFACTION OF BOND REQUIRE-
20 MENTS.—Any taxpayer for any period described in
21 paragraph (1) shall be treated as if sufficient bond
22 has been furnished for purposes of covering oper-
23 ations and withdrawals of distilled spirits or wines
24 for nonindustrial use or of beer for purposes of any
25 requirements relating to bonds under this chapter.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) BONDS FOR DISTILLED SPIRITS
3 PLANTS.—Section 5173(a) of such Code is
4 amended—

5 (i) in paragraph (1), by striking “No
6 person” and inserting “Except as provided
7 under section 5551(d), no person”, and

8 (ii) in paragraph (2), by striking “No
9 distilled spirits” and inserting “Except as
10 provided under section 5551(d), no dis-
11 tilled spirits”.

12 (B) BONDED WINE CELLARS.—Section
13 5351 of such Code is amended—

14 (i) by striking “Any person” and in-
15 serting the following:

16 “(a) IN GENERAL.—Any person”,

17 (ii) by inserting “, except as provided
18 under section 5551(d),” before “file bond”,

19 (iii) by striking “Such premises shall”
20 and all that follows through the period,
21 and

22 (iv) by adding at the end the following
23 new subsection:

24 “(b) DEFINITIONS.—For purposes of this chapter—

1 “(1) BONDED WINE CELLAR.—The term ‘bond-
2 ed wine cellar’ means any premises described in sub-
3 section (a), including any such premises established
4 by a taxpayer described in section 5551(d).

5 “(2) BONDED WINERY.—At the discretion of
6 the Secretary, any bonded wine cellar that engages
7 in production operations may be designated as a
8 ‘bonded winery’.”.

9 (C) BONDS FOR BREWERIES.—Section
10 5401 of such Code is amended by adding at the
11 end the following new subsection:

12 “(c) EXCEPTION FROM BOND REQUIREMENTS FOR
13 CERTAIN BREWERIES.—Subsection (b) shall not apply to
14 any taxpayer for any period described in section
15 5551(d).”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall take effect on the date that is 1 year
18 after the date of the enactment of this Act.

19 **SEC. 102. PRODUCTION PERIOD FOR BEER, WINE, AND DIS-**
20 **TILLED SPIRITS.**

21 (a) IN GENERAL.—Section 263A(f) of the Internal
22 Revenue Code of 1986 is amended—

23 (1) by redesignating paragraph (4) as para-
24 graph (5), and

1 (2) by inserting after paragraph (3) the fol-
2 lowing new paragraph:

3 “(4) EXEMPTION FOR AGING PROCESS OF FIN-
4 ISHED BEER, WINE, AND DISTILLED SPIRITS.—For
5 purposes of this section, the production period shall
6 not include the aging period for—

7 “(A) beer (as defined in section 5052(a)),

8 “(B) wine (as described in section
9 5041(a)), or

10 “(C) distilled spirits (as defined in section
11 5002(a)(8)), except such spirits that are unfit
12 for use for beverage purposes.”.

13 (b) CONFORMING AMENDMENT.—Paragraph
14 (5)(B)(ii) of section 263A(f) of the Internal Revenue Code
15 of 1986, as redesignated by this section, is amended by
16 inserting “except as provided in paragraph (4),” before
17 “ending on the date”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to production periods beginning
20 after December 31, 2016.

21 **TITLE II—BEER**

22 **SEC. 201. REDUCED RATE OF EXCISE TAX ON BEER.**

23 (a) IN GENERAL.—Paragraph (1) of section 5051(a)
24 of the Internal Revenue Code of 1986 is amended to read
25 as follows:

1 “(1) IN GENERAL.—

2 “(A) IMPOSITION OF TAX.—A tax is here-
3 by imposed on all beer brewed or produced, and
4 removed for consumption or sale, within the
5 United States, or imported into the United
6 States. Except as provided in paragraph (2),
7 the rate of such tax shall be—

8 “(i) \$16 on the first 6,000,000 barrels
9 of beer which are removed during the cal-
10 endar year for consumption or sale by a
11 brewer or imported into the United States
12 in such year by an importer, and

13 “(ii) \$18 on any barrels of beer to
14 which clause (i) does not apply.

15 “(B) BARREL.—For purposes of this sec-
16 tion, a barrel shall contain not more than 31
17 gallons of beer, and any tax imposed under this
18 section shall be applied at a like rate for any
19 other quantity or for fractional parts of a bar-
20 rel.”.

21 (b) REDUCED RATE FOR CERTAIN DOMESTIC PRO-
22 DUCTION.—Subparagraph (A) of section 5051(a)(2) of the
23 Internal Revenue Code of 1986 is amended—

24 (1) in the heading, by striking “\$7” and insert-
25 ing “\$3.50”, and

1 (2) by striking “\$7” and inserting “\$3.50”.

2 (c) CONFORMING AMENDMENTS.—Section
3 5051(a)(2)(B) of the Internal Revenue Code of 1986 is
4 amended by inserting “the 6,000,000 barrel quantity spec-
5 ified in paragraph (1)(A)(i) and” before “the 2,000,000
6 barrel quantity”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to beer removed during calendar
9 years beginning after December 31, 2016.

10 **SEC. 202. USE OF WHOLESOME PRODUCTS SUITABLE FOR**
11 **HUMAN FOOD CONSUMPTION IN THE PRO-**
12 **DUCTION OF FERMENTED BEVERAGES.**

13 (a) IN GENERAL.—Not later than the date that is
14 1 year after the date of the enactment of this Act, the
15 Secretary of the Treasury or the Secretary of the Treas-
16 ury’s delegate shall amend subpart F of part 25 of sub-
17 chapter A of chapter I of title 27, Code of Federal Regula-
18 tions to ensure that, for purposes of such part, wholesome
19 fruits, vegetables, and spices suitable for human food con-
20 sumption that are generally recognized as safe for use in
21 an alcoholic beverage and that do not contain alcohol are
22 generally recognized as a traditional ingredient in the pro-
23 duction of fermented beverages.

1 (b) DEFINITION.—For purposes of this section, the
2 term “fruit” means whole fruit, fruit juices, fruit puree,
3 fruit extract, or fruit concentrate.

4 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
5 tion shall be construed to revoke, prescribe, or limit any
6 other exemptions from the formula requirements under
7 subpart F of part 25 of subchapter A of chapter I of title
8 27, Code of Federal Regulations for any ingredient that
9 has been recognized before, on, or after the date of the
10 enactment of this Act as a traditional ingredient in the
11 production of fermented beverages.

12 **SEC. 203. SIMPLIFICATION OF RULES REGARDING**
13 **RECORDS, STATEMENTS, AND RETURNS.**

14 (a) IN GENERAL.—Subsection (a) of section 5555 of
15 the Internal Revenue Code of 1986 is amended by adding
16 at the end the following: “The Secretary shall permit a
17 person to employ a unified system for any records, state-
18 ments, and returns required to be kept, rendered, or made
19 under this section for any beer produced in the brewery
20 for which the tax imposed by section 5051 has been deter-
21 mined, including any beer which has been removed for
22 consumption on the premises of the brewery.”.

23 (b) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to any calendar quarters beginning

1 more than 1 year after the date of the enactment of this
2 Act.

3 **SEC. 204. TRANSFER OF BEER BETWEEN BONDED FACILI-**
4 **TIES.**

5 (a) IN GENERAL.—Section 5414 of the Internal Rev-
6 enue Code of 1986 is amended to read as follows:

7 **“SEC. 5414. TRANSFER OF BEER BETWEEN BONDED FACILI-**
8 **TIES.**

9 “(a) IN GENERAL.—Beer may be removed from one
10 brewery to another bonded brewery, without payment of
11 tax, and may be mingled with beer at the receiving brew-
12 ery, subject to such conditions, including payment of the
13 tax, and in such containers, as the Secretary by regula-
14 tions shall prescribe, which shall include—

15 “(1) any removal from one brewery to another
16 brewery belonging to the same brewer,

17 “(2) any removal from a brewery owned by one
18 corporation to a brewery owned by another corpora-
19 tion when—

20 “(A) one such corporation owns the con-
21 trolling interest in the other such corporation,
22 or

23 “(B) the controlling interest in each such
24 corporation is owned by the same person or per-
25 sons, and

1 “(3) any removal from one brewery to another
2 brewery when—

3 “(A) the proprietors of transferring and
4 receiving premises are independent of each
5 other and neither has a proprietary interest, di-
6 rectly or indirectly, in the business of the other,
7 and

8 “(B) the transferor has divested itself of
9 all interest in the beer so transferred and the
10 transferee has accepted responsibility for pay-
11 ment of the tax.

12 “(b) TRANSFER OF LIABILITY FOR TAX.—For pur-
13 poses of subsection (a)(3), such relief from liability shall
14 be effective from the time of removal from the transferor’s
15 bonded premises, or from the time of divestment of inter-
16 est, whichever is later.”.

17 (b) REMOVAL FROM BREWERY BY PIPELINE.—Sec-
18 tion 5412 of the Internal Revenue Code of 1986 is amend-
19 ed by inserting “pursuant to section 5414 or” before “by
20 pipeline”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to any calendar quarters beginning
23 more than 1 year after the date of the enactment of this
24 Act.

1 **TITLE III—HARD CIDER**

2 **SEC. 301. MODIFICATION OF DEFINITION OF HARD CIDER.**

3 (a) IN GENERAL.—Section 5041 of the Internal Rev-
4 enue Code of 1986 is amended—

5 (1) in paragraph (6) of subsection (b), by strik-
6 ing “which is a still wine” and all that follows
7 through “alcohol by volume”, and

8 (2) by adding at the end the following new sub-
9 section:

10 “(g) HARD CIDER.—For purposes of subsection
11 (b)(6), the term ‘hard cider’ means a wine—

12 “(1) containing not more than 0.64 gram of
13 carbon dioxide per hundred milliliters of wine, except
14 that the Secretary may by regulations prescribe such
15 tolerances to this limitation as may be reasonably
16 necessary in good commercial practice,

17 “(2) which is derived primarily from—

18 “(A) apples, apple juice concentrate, pears,
19 or pear juice concentrate, and

20 “(B) water,

21 “(3) which contains no fruit product or fruit
22 flavoring other than apple or pear, and

23 “(4) which contains at least one-half of 1 per-
24 cent and less than 8.5 percent alcohol by volume.”.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to hard cider removed during cal-
 3 endar years beginning after December 31, 2016.

4 **TITLE IV—WINE**

5 **SEC. 401. REDUCED RATE OF EXCISE TAX ON WINE PRO-** 6 **DUCED DOMESTICALLY BY CERTAIN QUALI-** 7 **FYING PRODUCERS.**

8 (a) IN GENERAL.—Section 5041(c) of the Internal
 9 Revenue Code of 1986 is amended—

10 (1) by amending paragraph (1) to read as fol-
 11 lows:

12 “(1) ALLOWANCE OF CREDIT.—

13 “(A) IN GENERAL.—Except as provided in
 14 paragraph (2), there shall be allowed as a credit
 15 against any tax imposed by this title (other
 16 than chapters 2, 21, and 22) an amount equal
 17 to the sum of—

18 “(i) \$1 per wine gallon on the first
 19 30,000 wine gallons of wine, plus

20 “(ii) 90 cents per wine gallon on the
 21 first 100,000 wine gallons of wine to which
 22 clause (i) does not apply,

23 on wine gallons which are removed during such
 24 year for consumption or sale and which have

1 been produced at qualified facilities in the
2 United States.

3 “(B) ADJUSTMENT OF CREDIT FOR HARD
4 CIDER.—In the case of wine described in sub-
5 section (b)(6), subparagraph (A) of this para-
6 graph shall be applied—

7 “(i) in clause (i) of such subpara-
8 graph, by substituting ‘6.2 cents’ for ‘\$1’,
9 and

10 “(ii) in clause (ii) of such subpara-
11 graph, by substituting ‘5.6 cents’ for ‘90
12 cents’.

13 “(C) DENIAL OF CREDIT FOR CHAMPAGNE
14 AND OTHER SPARKLING WINES.—This para-
15 graph shall not apply to wines described in sub-
16 section (b)(4).”,

17 (2) in paragraph (2)—

18 (A) by striking “paragraph (1)” and in-
19 serting “clause (ii) of paragraph (1)(A)”, and

20 (B) by striking “1,000 wine gallons of
21 wine produced in excess of 150,000 wine gal-
22 lons” and inserting “10,000 wine gallons of
23 wine produced in excess of 1,000,000 wine gal-
24 lons”, and

25 (3) in paragraph (7)—

1 (A) in subparagraph (A), by striking “this
2 subsection from benefiting any person who pro-
3 duces more than 250,000 wine gallons” and in-
4 sserting “paragraph (1)(A)(ii) from benefitting
5 any person who produces more than 2,000,000
6 wine gallons”, and

7 (B) in subparagraph (B), by striking
8 “150,000 wine gallons” and inserting
9 “1,000,000 wine gallons”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to wine removed during calendar
12 years beginning after December 31, 2016.

13 **SEC. 402. ADJUSTMENT OF ALCOHOL CONTENT LEVEL FOR**
14 **APPLICATION OF EXCISE TAX RATES.**

15 (a) IN GENERAL.—Paragraphs (1) and (2) of section
16 5041(b) of the Internal Revenue Code of 1986 are amend-
17 ed by striking “14 percent” each place it appears and in-
18 sserting “14.25 percent”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to wine removed during calendar
21 years beginning after December 31, 2016.

1 **TITLE V—DISTILLED SPIRITS**

2 **SEC. 501. REDUCED RATE OF EXCISE TAX ON CERTAIN DIS-**
 3 **TILLED SPIRITS.**

4 (a) IN GENERAL.—Section 5001 of the Internal Rev-
 5 enue Code of 1986 is amended by redesignating subsection
 6 (c) as subsection (d) and by inserting after subsection (b)
 7 the following new subsection:

8 “(c) REDUCED RATE.—

9 “(1) IN GENERAL.—In the case of a distilled
 10 spirits operation, the otherwise applicable tax rate
 11 under subsection (a)(1) on the first 100,000 of proof
 12 gallons of distilled spirits which are removed in the
 13 calendar year and which have been distilled or proc-
 14 essed by such operation at a qualified facility in the
 15 United States shall be \$2.70 per proof gallon.

16 “(2) CONTROLLED GROUPS.—

17 “(A) IN GENERAL.—In the case of a con-
 18 trolled group, the 100,000 proof gallon quantity
 19 specified in paragraph (1) shall be applied to
 20 the controlled group.

21 “(B) DEFINITION.—For purposes of sub-
 22 paragraph (A), the term ‘controlled group’ shall
 23 have the meaning given such term by subsection
 24 (a) of section 1563, except that—

1 “(i) ‘more than 50 percent’ shall be
2 substituted for ‘at least 80 percent’ each
3 place it appears in such subsection, and

4 “(ii) such determination shall be made
5 without regard to section 1563(b)(2)(C).

6 “(C) RULES FOR NON-CORPORATIONS.—
7 Under regulations prescribed by the Secretary,
8 principles similar to the principles of subpara-
9 graphs (A) and (B) shall be applied to a group
10 under common control where one or more of the
11 persons is not a corporation.

12 “(D) SINGLE TAXPAYER.—Pursuant to
13 rules issued by the Secretary, any distilled spir-
14 its operation which produces distilled spirits
15 marketed under a similar brand, license, fran-
16 chise, or other arrangement shall be treated as
17 a single taxpayer for purposes of the application
18 of this paragraph.”.

19 (b) CONFORMING AMENDMENT.—Section 7652(f)(2)
20 of the Internal Revenue Code of 1986 is amended by strik-
21 ing “section 5001(a)” and inserting “sections 5001(a)(1)
22 and 5001(c)(1)”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to distilled spirits removed in cal-
25 endar years beginning after December 31, 2016.

1 **SEC. 502. EXEMPTION OF HOME DISTILLERY ESTABLISH-**
 2 **MENTS FROM CERTAIN TAXATION AND BOND-**
 3 **ING REQUIREMENTS.**

4 (a) IN GENERAL.—Section 5001 of the Internal Rev-
 5 enue Code of 1986, as amended by section 501, is amend-
 6 ed by redesignating subsection (d) as subsection (e), and
 7 by inserting after subsection (c) the following new sub-
 8 section:

9 “(d) EXEMPTION FOR DISTILLED SPIRITS PRO-
 10 DUCED AT A HOME DISTILLERY ESTABLISHMENT.—Sub-
 11 ject to regulations prescribed by the Secretary, the tax im-
 12 posed by subsection (a) shall not apply to distilled spirits
 13 produced at a home distillery establishment (as defined
 14 in section 5002(a)(16)).”.

15 (b) DEFINITION OF HOME DISTILLERY ESTABLISH-
 16 MENT.—Section 5002(a) of the Internal Revenue Code of
 17 1986 is amended by adding at the end the following new
 18 paragraph:

19 “(16) HOME DISTILLERY ESTABLISHMENT.—
 20 “(A) IN GENERAL.—The term ‘home dis-
 21 tillery establishment’ means an establishment
 22 that—

23 “(i) is located in the dwelling house of
 24 the owner of such establishment or in any
 25 shed, yard, enclosure, or other property
 26 connected with such dwelling house, and

1 “(ii) produces distilled spirits solely
2 for personal or family use by the owner of
3 such establishment.

4 “(B) PERSONAL OR FAMILY USE.—

5 “(i) IN GENERAL.—A home distillery
6 establishment shall be treated as producing
7 distilled spirits for personal or family use
8 if—

9 “(I) any stills or distilling
10 apparatuses contained in such estab-
11 lishment have a mash capacity of not
12 greater than 15.5 gallons,

13 “(II) such establishment pro-
14 duces no more than—

15 “(aa) in the case of a house-
16 hold with 1 adult, 24 proof gal-
17 lons of distilled spirits during the
18 calendar year, or

19 “(bb) in the case of a house-
20 hold with 2 or more adults, 48
21 proof gallons of distilled spirits
22 during the calendar year, and

23 “(III) no distilled spirits pro-
24 duced by such establishment are sold
25 to any person, or transferred to any

1 person (for payment or otherwise) for
2 sale by such person.

3 “(ii) ADULT.—For purposes of this
4 paragraph, the term ‘adult’ means an indi-
5 vidual who has attained 18 years of age, or
6 the minimum age (if any) established by
7 law applicable in the locality in which the
8 household is situated at which distilled
9 spirits may be sold to individuals, which-
10 ever is greater.”.

11 (c) EXEMPTION FROM ESTABLISHMENT REQUIRE-
12 MENTS.—Section 5171 of the Internal Revenue Code of
13 1986 is amended—

14 (1) in subsection (a), by striking “Except as
15 otherwise provided by law” and inserting “Except as
16 provided by subsection (e) or any other provision of
17 law”, and

18 (2) by redesignating subsection (e) as sub-
19 section (f), and by inserting after subsection (d) the
20 following new subsection:

21 “(e) EXCEPTION FOR HOME DISTILLERY ESTAB-
22 LISHMENT.—The requirements of this section shall not
23 apply in the case of a home distillery establishment (as
24 described in section 5002(a)(16)).”.

1 (d) CRIMINAL PENALTIES.—Paragraph (6) of section
2 5601(a) of the Internal Revenue Code of 1986 is amended
3 by inserting “or section 5171(e)” after “5178(a)(1)(C)”.

4 (e) LIMITATION ON SALES FOR PERSONAL OR FAM-
5 ILY USE.—Section 5101 of such Code is amended—

6 (1) by redesignating subsection (b) as sub-
7 section (c), and

8 (2) by inserting after subsection (a) the fol-
9 lowing new subsection:

10 “(b) LIMITATION ON SALES FOR HOME DISTILLERY
11 ESTABLISHMENTS.—The Secretary shall, pursuant to reg-
12 ulations, require that no still, boiler, or other vessel with
13 a mash capacity of greater than 15.5 gallons be sold or
14 transferred to any person who intends to use such still,
15 boiler, or vessel solely as part of a home distillery estab-
16 lishment (as described in section 5002(a)(16)).”.

17 (f) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on the date that is 1 year
19 after the date of the enactment of this Act.

1 **TITLE VI—PROGRAM INTEGRITY**
2 **AND EXCISE TAX ADMINIS-**
3 **TRATION**

4 **SEC. 601. PROGRAM INTEGRITY CAP ADJUSTMENT FOR**
5 **THE ALCOHOL AND TOBACCO TAX AND**
6 **TRADE BUREAU.**

7 Section 251(b)(2) of the Balanced Budget and Emer-
8 gency Deficit Control Act of 1985 (2 U.S.C. 901(b)(2))
9 is amended by adding at the end the following new sub-
10 paragraphs:

11 “(E) ENFORCEMENT AND COMPLIANCE AC-
12 TIVITIES CONDUCTED BY THE ALCOHOL AND
13 TOBACCO TAX AND TRADE BUREAU.—

14 “(i) IN GENERAL.—If a bill or joint
15 resolution is enacted making appropria-
16 tions for a fiscal year to the Alcohol and
17 Tobacco Tax and Trade Bureau of not less
18 than the first amount specified in sub-
19 clauses (I) through (VI) of clause (ii) for
20 tax activities for that fiscal year, including
21 tax compliance to address the Federal tax
22 gap (taxes owed but not paid), and pro-
23 vides an additional appropriation for tax
24 activities, including tax compliance to ad-
25 dress the Federal tax gap, the adjustment

1 shall be the amount of the additional ap-
2 propriation, except that the adjustment
3 shall not exceed the second amount speci-
4 fied in that subclause.

5 “(ii) AMOUNTS SPECIFIED.—The
6 amounts specified are—

7 “(I) for fiscal year 2016, an ap-
8 propriation of \$101,000,000, and an
9 additional appropriation of
10 \$5,000,000;

11 “(II) for fiscal year 2017, an ap-
12 propriation of \$103,000,000, and an
13 additional appropriation of
14 \$9,000,000;

15 “(III) for fiscal year 2018, an
16 appropriation of \$106,000,000, and
17 an additional appropriation of
18 \$14,000,000;

19 “(IV) for fiscal year 2019, an ap-
20 propriation of \$108,000,000, and an
21 additional appropriation of
22 \$18,000,000;

23 “(V) for fiscal year 2020, an ap-
24 propriation of \$111,000,000, and an

1 additional appropriation of
2 \$24,000,000; and

3 “(VI) for fiscal year 2021, an ap-
4 propriation of \$113,000,000, and an
5 additional appropriation of
6 \$24,000,000.

7 “(iii) DEFINITIONS.—As used in this
8 subparagraph—

9 “(I) the term ‘additional appro-
10 priation for tax activities, including
11 tax compliance to address the Federal
12 tax gap’ means new and continuing
13 investments in expanding and improv-
14 ing the effectiveness and efficiency of
15 the overall tax enforcement and com-
16 pliance program of the Alcohol and
17 Tobacco Tax and Trade Bureau and
18 fully funding operational support ac-
19 tivities at the Alcohol and Tobacco
20 Tax and Trade Bureau; and

21 “(II) the term ‘new and con-
22 tinuing investments’ includes addi-
23 tional resources for implementing new
24 authorities and for conducting addi-
25 tional examinations and audits.

1 “(iv) APPROPRIATION.—The first
2 amount specified in subclauses (I) through
3 (VI) of clause (ii) is the amount under the
4 heading in an appropriations Act for the
5 Alcohol and Tobacco Tax and Trade Bu-
6 reau that is specified to pay for the costs
7 of tax activities, including tax compliance
8 to address the Federal tax gap, and to pay
9 for regulatory activities that protect the
10 public.

11 “(v) ADDITIONAL AMOUNT.—The
12 amounts further specified in subclauses (I)
13 through (VI) of clause (ii) are the amounts
14 under the heading in an appropriations act
15 for the Alcohol and Tobacco Tax and
16 Trade Bureau for the amount of the addi-
17 tional appropriation for tax activities, in-
18 cluding tax compliance to address the Fed-
19 eral tax gap.

20 “(F) ACTIVITIES THAT PROTECT THE PUB-
21 LIC CONDUCTED BY THE ALCOHOL AND TO-
22 BACCO TAX AND TRADE BUREAU.—

23 “(i) IN GENERAL.—If a bill or joint
24 resolution is enacted making appropria-
25 tions for a fiscal year to the Alcohol and

1 Tobacco Tax and Trade Bureau of not less
2 than the first amount specified in sub-
3 clauses (I) through (VI) of subparagraph
4 (E)(ii) for tax activities for that fiscal
5 year, including tax compliance to address
6 the Federal tax gap (taxes owed but not
7 paid), and regulatory activities conducted
8 by the Alcohol and Tobacco Tax and Trade
9 Bureau, and making appropriations in the
10 amount and for the purpose of the adjust-
11 ment in the second amount specified in
12 subclauses (I) through (VI) of subpara-
13 graph (E)(ii), then the further additional
14 adjustment for that fiscal year shall be the
15 further additional appropriation provided
16 in that Act for regulatory activities that
17 protect the public for that fiscal year, but
18 shall not exceed \$5,000,000 in additional
19 new budget authority.

20 “(ii) DEFINITIONS.—As used in this
21 subparagraph—

22 “(I) the term ‘regulatory activi-
23 ties that protect the public’ means
24 new budget authority for new and
25 continuing investments in expanding

1 and improving programs at the Alco-
2 hol and Tobacco Tax and Trade Bu-
3 reau, such as regulating permitting,
4 labeling, advertising, distribution and
5 trade of alcohol and tobacco products;
6 and

7 “(II) the term ‘further additional
8 new budget authority’ means the
9 amount provided for a fiscal year in
10 excess of the first amount specified in
11 subclauses (I) through (VI) of sub-
12 paragraph (E)(ii) and the adjustment
13 in the second amount specified in sub-
14 clauses (I) through (VI) of subpara-
15 graph (E)(ii), not to exceed
16 \$5,000,000.”.

17 **SEC. 602. INCREASE INFORMATION SHARING TO ADMIN-**
18 **ISTER EXCISE TAXES.**

19 (a) IN GENERAL.—Section 6103(o) of the Internal
20 Revenue Code of 1986 is amended by adding at the end
21 the following new paragraph:

22 “(3) TAXES IMPOSED BY SECTION 4481.—Re-
23 turns and return information with respect to taxes
24 imposed by section 4481 shall be open to inspection
25 by or disclosure to officers and employees of United

1 States Customs and Border Protection of the De-
2 partment of Homeland Security whose official duties
3 require such inspection or disclosure for purposes of
4 administering such section.”.

5 (b) CONFORMING AMENDMENTS.—Paragraph (4) of
6 section 6103(p) of the Internal Revenue Code of 1986 is
7 amended by striking “or (o)(1)(A)” each place it appears
8 and inserting “, (o)(1)(A) or (o)(3)”.

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