

**Marshall University  
Guide for  
Use of  
Tax Free  
Ethyl Alcohol**

**Including Excerpts from  
The Code of Federal Regulations**

**TITLE 27--ALCOHOL, TOBACCO PRODUCTS AND FIREARMS  
CHAPTER I  
PART 22\_DISTRIBUTION AND USE OF TAX-FREE ALCOHOL**

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## Accountability For Tax-Free Ethyl Alcohol

Basic requirements of The U.S. Department of Treasury, Alcohol and Tobacco and Tax and Trade Bureau

1. The use of tax-free alcohol shall be restricted to and be used only for scientific, medicinal, and mechanical purposes. See appendix A section 22.101, 22.102, and 22.104.
2. Users shall maintain positive control over supplies received, issued and/or stored which are verifiable by maintained records available for audit at any time.

### University Regulations:

The following University regulations are designed to assure that the requirements of the Alcohol and Tobacco and Tax and Trade Bureau will be met and that all necessary information will be available in the departmental files when an audit is made.

Only persons designated by the Higher Education Policy Commission are authorized to purchase tax-free alcohol and all user departments must mark their purchase orders as follows to ensure the purchase order will not be delayed. On your electronic purchase order please state:

“Purchase Order For Tax Free Ethyl Alcohol”

Ship to: Marshall University  
Chemistry Department  
Science Building Room 455  
1705 Third Avenue, Across from 17th. St  
Huntington, WV 25703

Tax-free alcohol will be received by the Department of Chemistry and place in the alcohol locker. After it is received the department ordering the alcohol will be notified. The department may withdraw all or part of its order from the main alcohol locker. If the department wishes to leave part of its order it will be marked and inventoried each month until all is withdrawn by the department.

All requests for withdraw will be made in writing and signed for by a full time employee. Students will not be allowed to withdraw tax-free ethyl alcohol. Withdrawal forms will be provided by the Department of Chemistry.

### ***Departmental Alcohol Use and Storage***

Tax-free alcohol received by departments shall be placed in storage facilities under lock until withdrawn for use. See appendix A section Sec. 22.92. Using departments shall provide locked storage space adequate in size and construction to provide good ventilation. The storage may be located to provide convenient access by authorized personnel, but must also afford maximum physical protection. A storage cabinet or locker kept inside a room which is locked when unattended is considered to be adequately secured.

User departments shall be responsible for instituting monthly inventories to reconcile receipts and issues with quantities on hand, review storage practices and correct any deficiencies.

1. To comply with record retention requirements, departments should retain inventory records covering their use of tax-free alcohol for the preceding three-year period.
2. Of importance, this part of the code is most often overlooked:
  - Time of destruction of marks and brands.*
  - (a) Any person who empties a package containing tax-free alcohol shall immediately destroy or obliterate the marks, brand, and labels required by this chapter to be placed on packages of tax-free alcohol.*
  - (b) A person may not destroy or obliterate the marks, brands or labels until the package or drum has been emptied.*
  - (Sec. 201, Pub. L. 85-859, 72 Stat. 1358, as amended (26 U.S.C. 5206))”*
4. Tax-free alcohol shall not be removed from the premises. It may ONLY be used at the locations listed in Appendix B. Tax-free alcohol can not be transported to any other locations. Tax-free alcohol can not be taken on field trips. See appendix A section Sec. 22.102 Prohibited uses (c).

Every effort shall be made to handle and transport Ethyl Alcohol as any other flammable liquid.

## Appendix A

### TITLE 27--ALCOHOL, TOBACCO PRODUCTS AND FIREARMS

#### CHAPTER I

#### PART 22\_DISTRIBUTION AND USE OF TAX-FREE ALCOHOL--Table of Contents

##### Subpart C Administrative Provisions

#### Sec. 22.25 Right of entry and examination

An appropriate TTB officer may enter, during business hours or at any time operations are being conducted, any premises on which operations governed by this part are conducted to inspect the records required by this part to be kept on those premises. An appropriate TTB officer may also inspect and take samples of tax-free alcohol to which those records relate.

[T.D. ATF-199, 50 FR 9183, Mar. 6, 1985. Redesignated by T.D. ATF-443, 66 FR 13015, Mar. 2, 2001]

#### Sec. 22.31 Persons liable for tax.

All tax-free alcohol removed, sold, transported, or used in violation of law or regulations in this part, is subject to all provisions of law relating to taxable alcohol, including the requirement for payment of tax on the alcohol. The person removing, selling, transporting, or using tax-free alcohol in violation of law or regulations pertaining to tax-free alcohol shall be required to pay the distilled spirits tax on the alcohol.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended (26 U.S.C. 5001))

#### Sec. 22.33 Time of destruction of marks and brands.

(a) Any person who empties a package containing tax-free alcohol shall immediately destroy or obliterate the marks, brand, and labels required by this chapter to be placed on packages of tax-free alcohol.

(b) A person may not destroy or obliterate the marks, brands or labels until the package or drum has been emptied.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1358, as amended (26 U.S.C. 5206))

#### Sec. 22.36 Filing of qualifying documents.

All documents returned to a permittee or other person as evidence of compliance with requirements of this part, or as authorization, shall except as otherwise provided, be kept readily available for inspection by an appropriate ATF officer during business hours.

##### Subpart F Premises and Equipment

#### Sec. 22.91 Premises

All persons qualified to withdraw and use tax-free alcohol shall have premises suitable for the business being conducted and adequate for the

protection of the revenue. Storage facilities shall be provided on the premises for tax-free alcohol received or recovered. The storage facilities may consist of a combination of storerooms, compartments, or stationary storage tanks.

#### Sec. 22.92 Storage facilities

(a) Storerooms or compartments shall be so constructed and secured as to prevent unauthorized access and will be equipped for locking. These storage facilities shall be of sufficient capacity to hold the maximum quantity of tax-free alcohol which will be on hand at one time.

(b) Each stationary storage tank used to hold tax-free alcohol shall be equipped for locking in such a manner as to control access to the spirits. All stationary storage tanks shall be equipped with an accurate means of measuring the spirits.

(c) Storerooms and storage tanks shall be kept locked when unattended. A storage cabinet or locker kept inside a room which is locked when unattended is considered to be adequately secured.

#### Sec. 22.101 Authorized uses

Alcohol may be withdrawn free of tax from the bonded premises of a distilled spirits plant for the use of any State or political subdivision of a State, or the District of Columbia, for nonbeverage purposes. Alcohol may also be withdrawn by persons eligible to use tax-free alcohol, for nonbeverage purposes and not for resale or use in the manufacture of any product for sale. Tax-free alcohol shall be withdrawn and used only as provided by law and this part, as follows:

(a) For the use of any educational organization described in 26 U.S.C. 170(b)(1)(A) which is exempt from income tax under 26 U.S.C. 501(a), or for the use of any scientific university or college of learning;

(b) For any laboratory for use exclusively in scientific research;

(c) For use at any hospital, blood bank, or sanitarium (including use in making any analysis or test at a hospital, blood bank, or sanitarium), or at any pathological laboratory exclusively engaged in making analyses, or test, for hospitals or sanitariums; or

(d) For the use of any clinic operated for charity and not for profit (including use in the compounding of bona fide medicines for treatment of patients outside of the clinic).

#### Subpart G Use of Tax-Free Alcohol

#### Sec. 22.102 Prohibited uses

(a) Usage. Under no circumstances may tax-free alcohol withdrawn under this part be used for beverage purposes, food products, or in any preparation used in preparing beverage or food products.

(b) Selling. Persons qualified under this part are prohibited from selling tax-free alcohol, using tax-free alcohol in the manufacture of any product for sale, or selling any products resulting from the use of tax-free alcohol. A separate charge may be made by a hospital, sanitarium or clinic for medicines compounded with tax-free alcohol and dispensed to patients for use on the premises, as provided in Sec.

Sec.22.105 and 22.106. Hospitals may not furnish tax-free alcohol for use of physicians in their private practice.

(c) Removal from premises. Persons qualified under this part may not remove tax-free alcohol or products resulting from the use of tax-free alcohol from the permit premises unless specifically authorized by the terms of their permit, or permission is obtained from the appropriate ATF officer, except that:

(1) Products made through the use of tax-free alcohol which contain no alcohol may be removed to other premises for the sole purpose of further research; or

(2) Under the provisions of Sec. Sec. 22.105 and 22.106, clinics operated for charity and not for profit may compound bona fide medicines with tax-free alcohol, and dispense the medicine from the premises for use by its patients outside of the clinic, if the furnishing of the medicine is not conditioned upon payment.

(d) Liability for tax. Permittees who use tax-free alcohol in any manner prohibited by this section become liable for the tax on the alcohol. Any permittee who sells tax-free alcohol also becomes liable for special (occupational) tax as a liquor dealer.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended, 1343, as amended, 1362, as amended (26 U.S.C. 5001, 5121, 5214))

#### Sec. 22.103 States and the District of Columbia

Except as otherwise provided in this section, tax-free alcohol withdrawn by a State or political subdivision of a State, or the District of Columbia shall be used solely for mechanical and scientific purposes, and except on approval of the appropriate TTB officer, the use of tax-free alcohol or the use of any resulting product will be confined to the premises under the control of the State or political subdivision of a State, or the District of Columbia. Tax-free alcohol withdrawn for use in hospitals, clinics, and other establishments specified in Sec. Sec. 22.104 through 22.108, operated by a State, political subdivision of a State, or the District of Columbia, shall be used in the manner prescribed for those establishments.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1362, as amended (26 U.S.C. 5214))

#### Sec. 22.104 Educational organizations, colleges of learning, and scientific universities

(a) Educational organizations. Educational organizations authorized to withdraw and use tax-free alcohol under Sec. 22.101 are those organizations which normally maintain a regular faculty and curriculum and which normally have a regularly enrolled body of students in attendance at the place where their educational activities are regularly carried on and which are exempt from Federal income tax under 26 U.S.C. 501(a).

(b) Colleges of learning. Colleges of learning, for the purposes of this subpart, have a recognized curriculum and confer degrees after specified periods of attendance at classes or research work.

(c) Scientific universities. Scientific universities include any university incorporated or organized under any Federal or State law which provides training in the sciences.

(d) Uses. Tax-free alcohol withdrawn by educational organizations, scientific universities, and colleges of learning shall be used only for scientific, medicinal, and mechanical purposes. Use of

tax-free alcohol and resulting products are limited by the provisions of Sec. 22.102.  
(Sec. 201, Pub. L. 85-859, 72 Stat. 1362, as amended (26 U.S.C. 5214))

#### Subpart M Records of Transactions

##### Sec. 22.161 Records

(a) General. All persons qualified under this part shall keep accurate records of all receipts, shipments, usage, destructions and claims pertaining to the withdrawal and use of tax-free alcohol. These records shall be in sufficient detail to enable the permittee to reconcile any losses or gains for the semi-annual inventory, and to enable appropriate ATF officers to verify all transactions and to ascertain whether there has been compliance with law and regulations. All records required by this section shall identify tax-free alcohol by proof, date of transaction, and quantity involved, and shall include alcohol received from the General Services Administration and the recovery of alcohol and its disposition. Records shall be kept current at all times.

(b) Records of receipt and shipment. Records of receipt and shipment shall consist of the consignor's or consignee's (as the case may be) invoice, bill or bill of lading, or another document used for the intended purpose. Records of receipt shall record only the quantity of tax-free alcohol actually received. Losses in transit shall not be considered as received, but may be the subject of a claim for allowances of losses, as prescribed in Subpart I of this part.

(c) Records of usage. For the purpose of this subpart, tax-free or recovered alcohol shall be considered as "used" when permanently removed from a permittee's supply storeroom, compartment, or tank for any authorized use. Records of usage shall identify the tax-free alcohol by quantity, proof, and purpose of removal (office, department or location to which dispensed). This record shall list separately, the usage of tax-free alcohol from recovered alcohol or alcohol received from the General Services Administration.

(d) Records of destruction. Records of destruction shall consist of a copy of the notice of intention to destroy, prescribed in Sec. 22.141, signed by an appropriate ATF officer or employee witnessing the destruction.

(e) Claims. Claims for allowance of losses of tax-free alcohol, required to be filed under Subpart I of this part, shall consist of Forms 2635 (5620.8) and supporting data.  
(Approved by the Office of Management and Budget under control number 1512-0334)

##### Sec. 22.162 Inventories

Each permittee shall take a physical inventory of the tax-free and recovered alcohol in its possession semi-annually for the periods ending June 30 and December 31 of each year; or other inventory periods which are approximately 6 months apart, upon filing written notice with the appropriate ATF officer establishing other inventory periods. These inventories may be recorded separately or as an entry in the record of usage with any necessary adjustments (losses or gains). If an inventory results in a loss in excess of the quantities prescribed by Subpart I of this part, the permittee shall file a claim for allowance of loss.

(Notice approved by the Office of Management and Budget under control number 1512-0335; recordkeeping approved by the Office of Management and Budget under control number 1512-0334)



## **Appendix B**

Permit holder:

Marshall University  
One John Marshall Drive  
Huntington, WV 25755

Address where Alcohol will be Received and Stored:

Marshall University  
Chemistry Department  
Science Building Room 455  
1705 Third Avenue, Across from 17th. St.  
Huntington, WV 25703

Campus sites and departments where Tax Free Ethyl Alcohol will be used:

### 1. Science Building

Chemistry Department (also receiving and distribution)  
Biology Department  
Geology Department  
Integrated Science & Technology  
Physics & Physical Science

### 2. Morrow Library

Integrated Science & Technology  
Integrated Science

### 3. Robert C. Byrd Biotechnology Science Center

#### (a) Marshall University Departments

Biology Department  
Integrated Science & Technology

#### (b) Marshall University School of Medicine Departments

Pathology Department  
Forensic Science  
Anatomy Department  
Physiology Department  
Microbiology Department  
Pharmacology Department  
Biochemistry Department  
Biology Department  
Chemistry Department