

Special (Occupational) Tax Frequently Asked Questions

On October 22, 2004, President Bush signed H.R. 4520, the "American Jobs Creation Act of 2004," into law as Public Law 108-357. In addition to several other changes to the Internal Revenue Code, Public Law 108-357 provides for a three-year suspension of the annual Special (Occupational) Tax (SOT) on persons in the business of selling, manufacturing, importing or wholesaling of beverage alcohol products or manufacturing nonbeverage alcohol products for tax drawback.

On August 10, 2005, President Bush signed into law the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users," Public Law 109-59. Section 11125 of that act repeals the Special (Occupational) Taxes on alcohol beverage producers and dealers, manufacturers of nonbeverage products, users of tax-free alcohol, and users and dealers of specially denatured spirits, effective July 1, 2008.

Questions and Answers regarding new legislation on Federal Special Tax and Registration

Q: I heard that the Special Occupational Tax has been eliminated and there is no longer a requirement to file and pay this tax; is this true?

A: Special Tax has been repealed for all alcohol occupations as of July 1, 2008, but the recordkeeping and registration requirements will continue. Tobacco occupations are not affected by the legislation and must continue to file and pay the tax at the normal rates. For more information on the repeal, [click here](#).

Q: Will I still be required to register my alcohol business and when will I register?

A: Regulations will require dealers in alcohol beverages to register in the following circumstances:

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

Q: I receive a Federal Tax Stamp as receipt for filing and paying each year, and I am required to have this Stamp in order to receive my State license. Will I still receive this Stamp each year?

A: You will receive a Federal Tax Stamp **only** if you are required to file and pay the tax. If you are engaged in an alcohol occupation you will **not** receive this stamp; however, as proof of registration your State or local alcohol beverage control agency will receive a list of businesses registered in your State.

Q: I file a claim for drawback of excise tax I pay for alcohol used to manufacture cough syrup, mouthwash, etc. Do I still have to file and pay SOT and obtain a Federal Tax Stamp in order to continue filing these claims?

A: You are still required to register in order to file a claim for drawback of excise tax paid for these products; however, special tax has been repealed. To simplify the registration process, TTB will deem you to have registered as a manufacturer of nonbeverage products when you file your first claim for the year.

Q. If I purchase or sell specially denatured alcohol, am I still liable for the tax?

A: No, special tax has been repealed.

Q: I have a balance due on current and/or prior Special Tax, am I still liable for these taxes?

A: If you owe tax Special Tax for a prior year in which tax was due, including penalties and interest, or have a lien or levy imposed, you are still liable for the tax and no claim for refund will be accepted based solely on this change in legislation.

Q: I manufacture cigars and other tobacco products, do I still have to pay Special Tax?

A: Yes, this legislation only applies to persons in alcohol occupations. If you manufacture tobacco products, you will continue to file and pay the tax at the applicable rates. There is still no requirement for filing and paying on retail sales or wholesale operations of manufactured tobacco products or importation of manufactured tobacco products.

Q: Who do I contact if I have questions on this tax?

A: If you have questions on how TTB will regulate this law, please contact the TTB National Revenue Center at 1-877-882-3277 or the Special Occupational Tax toll-free number at 1-800-937-8864.