S. 236

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

IN THE SENATE OF THE UNITED STATES

JANUARY 30, 2017

Mr. WYDEN (for himself, Mr. BLUNT, Mr. CARPER, Mr. ROBERTS, Ms. STABENOW, Mr. MORAN, Mr. CASEY, Mr. PORTMAN, Mr. BENNET, Mrs. CAPITO, Ms. BALDWIN, and Mr. GARDNER) 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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS; RULE OF CONSTRUCTION.

(a) Short Title.—This Act may be cited as the “Craft Beverage Modernization and Tax Reform Act of 2017”.

(b) Table of Contents.—The table of contents of this Act is as follows:

1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2. SECTION 1. SHORT TITLE; TABLE OF CONTENTS; RULE OF CONSTRUCTION.

3. (a) Short Title.—This Act may be cited as the “Craft Beverage Modernization and Tax Reform Act of 2017”.

4. (b) Table of Contents.—The table of contents of this Act is as follows:
Sec. 1. Short title; table of contents; rule of construction.

TITLE I—PRODUCTION PERIOD

Sec. 101. 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—WINE

Sec. 301. Reduced rate of excise tax on certain wine.
Sec. 302. Adjustment of alcohol content level for application of excise tax rates.
Sec. 303. Definition of mead and low alcohol by volume wine.

TITLE IV—DISTILLED SPIRITS

Sec. 401. Reduced rate of excise tax on certain distilled spirits.
Sec. 402. Bulk distilled spirits.

TITLE V—FUNDING

Sec. 501. Increased funding for the Alcohol and Tobacco Tax and Trade Bureau.

(c) RULE OF CONSTRUCTION.—Nothing in this Act, the amendments made by this Act, or any regulation promulgated under this Act or the amendments made by this Act, shall be construed to preempt, supersede, or otherwise limit or restrict any State, local, or tribal law that prohibits or regulates the production or sale of distilled spirits, wine, or malt beverages.

TITLE I—PRODUCTION PERIOD

SEC. 101. PRODUCTION PERIOD FOR BEER, WINE, AND DISTILLED SPIRITS.

(a) IN GENERAL.—Section 263A(f) of the Internal Revenue Code of 1986 is amended—
(1) by redesignating paragraph (4) as paragraph (5), and

(2) by inserting after paragraph (3) the following new paragraph:

“(4) EXEMPTION FOR AGING PROCESS OF BEER, WINE, AND DISTILLED SPIRITS.—For purposes of this subsection, the production period shall not include the aging period for—

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

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

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest costs paid or incurred in taxable years ending on or after December 31, 2018.
TITLE II—BEER

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

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

“(1) IN GENERAL.—

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

“(i) $16 on the first 6,000,000 barrels of beer—

“(I) brewed by the brewer and removed during the calendar year for consumption or sale, or

“(II) imported by the importer into the United States during the calendar year, and

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

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

(b) **Reduced Rate for Certain Domestic Pro-
duction.**—Subparagraph (A) of section 5051(a)(2) of the
Internal Revenue Code of 1986 is amended—

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

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

(c) **Application of Reduced Tax Rate for For-
eign Manufacturers and Importers.**—Subsection (a)
of section 5051 of the Internal Revenue Code of 1986 is
amended—

(1) in subparagraph (A)(i)(II) of paragraph (1),
as amended by subsection (a) of this section, by in-
serting “but only if the importer is an electing im-
porter under paragraph (4) and the barrels have
been assigned to the importer pursuant to such
paragraph” after “during the calendar year”, and

(2) by adding at the end the following new
paragraph:

“(4) **Reduced Tax Rate for Foreign Manu-
ufacturers and Importers.—**

“(A) In general.—In the case of any
barrels of beer which have been brewed or pro-
duced outside of the United States and im-
ported into the United States, the rate of tax
applicable under clause (i) of paragraph (1)(A)
(referred to in this paragraph as the ‘reduced
tax rate’) may be assigned by the brewer (pro-
vided that the brewer makes an election de-
scribed in subparagraph (B)(ii)) to any electing
importer of such barrels pursuant to the re-
quirements established by the Secretary of the
Treasury under subparagraph (B).

“(B) ASSIGNMENT.—The Secretary of the
Treasury, in consultation with the Secretary of
Health and Human Services and the Secretary
of the Department of Homeland Security, shall,
through such rules, regulations, and procedures
as are determined appropriate, establish proce-
dures for assignment of the reduced tax rate
provided under this paragraph, which shall in-
clude—

“(i) a limitation to ensure that the
number of barrels of beer for which the re-
duced tax rate has been assigned by a
brewer—

“(I) to any importer does not ex-
ceed the number of barrels of beer
brewed or produced by such brewer
during the calendar year which were
imported into the United States by
such importer, and

“(II) to all importers does not
exceed the 6,000,000 barrels to which
the reduced tax rate applies,

“(ii) procedures that allow the election
of a brewer to assign and an importer to
receive the reduced tax rate provided under
this paragraph,

“(iii) requirements that the brewer
provide any information as the Secretary
determines necessary and appropriate for
purposes of carrying out this paragraph,
and

“(iv) procedures that allow for revoca-
tion of eligibility of the brewer and the im-
porter for the reduced tax rate provided
under this paragraph in the case of any er-
roneous or fraudulent information provided
under clause (iii) which the Secretary
deems to be material to qualifying for such
reduced rate.
“(C) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the brewer, as described under paragraph (5).”.

(d) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—Subsection (a) of section 5051 of the Internal Revenue Code of 1986, as amended by this section, is amended—

(1) in paragraph (2)—

(A) by striking subparagraph (B), and

(B) by redesignating subparagraph (C) as subparagraph (B), and

(2) by adding at the end the following new paragraph:

“(5) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(A)(i) and the 2,000,000 barrel quantity specified in paragraph (2)(A) shall be applied to the controlled group, and the 6,000,000 barrel quantity specified in para-
graph (1)(A)(i) and the 60,000 barrel quantity specified in paragraph (2)(A) shall be apportioned among the brewers who are members of such group in such manner as the Secretary or his delegate shall by regulations prescribe. For purposes of the preceding sentence, the term ‘controlled group’ has the meaning assigned to it by subsection (a) of section 1563, except that for such purposes the phrase ‘more than 50 percent’ shall be substituted for the phrase ‘at least 80 percent’ in each place it appears in such subsection. Under regulations prescribed by the Secretary or his delegate, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation.

“(B) FOREIGN MANUFACTURERS AND IMPORTERS.—For purposes of paragraph (4), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(A)(i) shall be applied to the controlled group and apportioned among the members of such group in such manner as the Secretary or his delegate shall by regulations prescribe. For purposes of
the preceding sentence, the term ‘controlled
group’ has the meaning given such term under
subparagraph (A). Under regulations prescribed
by the Secretary or his delegate, principles simi-
lar to the principles of the preceding two sen-
tences shall be applied to a group of brewers
under common control where one or more of the
brewers is not a corporation.

“(C) SINGLE TAXPAYER.—Pursuant to
rules issued by the Secretary, two or more enti-
ties (whether or not under common control)
that produce beer marketed under a similar
brand, license, franchise, or other arrangement
shall be treated as a single taxpayer for pur-
poses of the application of this subsection.”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Subject to paragraph (2),
the amendments made by this section shall apply to
beer removed after September 30, 2019.

(2) PRORATION.—For purposes of the fourth
calendar quarter of 2019, the Secretary of the
Treasury (or the Secretary’s delegate) shall issue
such guidance, rules, or regulations as are deemed
appropriate to provide that the amendments made
SEC. 202. USE OF WHOLESOME PRODUCTS SUITABLE FOR HUMAN FOOD CONSUMPTION IN THE PRODUCTION OF FERMENTED BEVERAGES.

(a) In General.—Not later than the date that is 1 year after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary of the Treasury’s delegate shall amend subpart F of part 25 of subchapter A of chapter I of title 27, Code of Federal Regulations, to ensure that, for purposes of such part, wholesome fruits, vegetables, and spices suitable for human food consumption that are generally recognized as safe for use in an alcoholic beverage and that do not contain alcohol are generally recognized as a traditional ingredient in the production of fermented beverages.

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

(e) Rule of Construction.—Nothing in this section shall be construed to revoke, prescribe, or limit any other exemptions from the formula requirements under subpart F of part 25 of subchapter A of chapter I of title 27, Code of Federal Regulations, for any ingredient that has been recognized before, on, or after the date of the
enactment of this Act as a traditional ingredient in the production of fermented beverages.

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

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

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

SEC. 204. TRANSFER OF BEER BETWEEN BONDED FACILITIES.

(a) IN GENERAL.—Section 5414 of the Internal Revenue Code of 1986 is amended to read as follows:

“SEC. 5414. TRANSFER OF BEER BETWEEN BONDED FACILITIES.

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

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

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

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

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

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

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

“(B) the transferor has divested itself of
all interest in the beer so transferred and the
transferee has accepted responsibility for payment of the tax.

“(b) Transfer of Liability for Tax.—For purposes of subsection (a)(3), such relief from liability shall be effective from the time of removal from the transferor’s bonded premises, or from the time of divestment of interest, whichever is later.”.

(b) Removal From Brewery by Pipeline.—Section 5412 of the Internal Revenue Code of 1986 is amended by inserting “pursuant to section 5414 or” before “by pipeline”.

(c) Effective Date.—The amendments made by this section shall apply to any calendar quarters beginning more than 1 year after the date of the enactment of this Act.

**TITLE III—WINE**

**SEC. 301. REDUCED RATE OF EXCISE TAX ON CERTAIN WINE.**

(a) In General.—Section 5041(c) of the Internal Revenue Code of 1986 is amended—

(1) in the heading, by striking “FOR SMALL DOMESTIC PRODUCERS”;

(2) by amending paragraph (1) to read as follows:

“(1) Allowance of credit.—
“(A) IN GENERAL.—There shall be allowed as a credit against any tax imposed by this title (other than chapters 2, 21, and 22) an amount equal to the sum of—

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

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

“(iii) 53.5 cents per wine gallon on the first 620,000 wine gallons of wine to which clauses (i) and (ii) do not apply, which are produced by the producer and removed during the calendar year for consumption or sale, or which are imported by the importer into the United States during the calendar year.

“(B) ADJUSTMENT OF CREDIT FOR HARD CIDER.—In the case of wine described in subsection (b)(6), subparagraph (A) of this paragraph shall be applied—

“(i) in clause (i) of such subparagraph, by substituting ‘6.2 cents’ for ‘$1’,
“(ii) in clause (ii) of such subparagraph, by substituting ‘5.6 cents’ for ‘90 cents’, and

“(iii) in clause (iii) of such subparagraph, by substituting ‘3.3 cents’ for ‘53.5 cents’.

(3) by striking paragraph (2),

(4) by redesignating paragraphs (3) through (7) as paragraphs (2) through (6), respectively, and

(5) by amending paragraph (6), as redesignated by paragraph (4) of this subsection, to read as follows:

“(6) Regulations.—The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to ensure proper calculation of the credit provided in this subsection.”.

(b) Controlled Group and Single Taxpayer Rules.—Paragraph (3) of section 5041(e), as redesignated by subsection (a)(4), is amended by striking “section 5051(a)(2)(B)” and inserting “section 5051(a)(5)”.

(c) Allowance of Credit for Foreign Manufacturers and Importers.—Subsection (e) of section 5041 of the Internal Revenue Code of 1986, as amended by subsection (a), is amended—
(1) in subparagraph (A) of paragraph (1), by inserting “but only if the importer is an electing importer under paragraph (6) and the wine gallons of wine have been assigned to the importer pursuant to such paragraph” after “into the United States during the calendar year”,

(2) by redesignating paragraph (6) as paragraph (7), and

(3) by inserting after paragraph (5) the following new paragraph:

“(6) ALLOWANCE OF CREDIT FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

“(A) IN GENERAL.—In the case of any wine gallons of wine which have been produced outside of the United States and imported into the United States, the credit allowable under paragraph (1) (referred to in this paragraph as the ‘tax credit’) may be assigned by the person who produced such wine (referred to in this paragraph as the ‘foreign producer’), provided that such person makes an election described in subparagraph (B)(ii), to any electing importer of such wine gallons pursuant to the requirements established by the Secretary of the Treasury under subparagraph (B).
“(B) ASSIGNMENT.—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services and the Secretary of the Department of Homeland Security, shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the tax credit provided under this paragraph, which shall include—

“(i) a limitation to ensure that the number of wine gallons of wine for which the tax credit has been assigned by a foreign producer—

“(I) to any importer does not exceed the number of wine gallons of wine produced by such foreign producer during the calendar year which were imported into the United States by such importer, and

“(II) to all importers does not exceed the 750,000 wine gallons of wine to which the tax credit applies,

“(ii) procedures that allow the election of a foreign producer to assign and an importer to receive the tax credit provided under this paragraph,
“(iii) requirements that the foreign producer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

“(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such credit.

“(C) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the foreign producer, as described under paragraph (3).”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Subject to paragraph (2), the amendments made by this section shall apply to wine removed after September 30, 2019.

(2) PRORATION.—For purposes of the fourth calendar quarter of 2019, the Secretary of the
Treasury (or the Secretary’s delegate) shall issue such guidance, rules, or regulations as are deemed appropriate to provide that the amendments made by this section are applied on a prorated basis for purposes of wine removed during such quarter.

SEC. 302. ADJUSTMENT OF ALCOHOL CONTENT LEVEL FOR APPLICATION OF EXCISE TAX RATES.

(a) In General.—Paragraphs (1) and (2) of section 5041(b) of the Internal Revenue Code of 1986 are amended by striking “14 percent” each place it appears and inserting “16 percent”.

(b) Effective Date.—The amendments made by this section shall apply to wine removed during calendar years beginning after December 31, 2018.

SEC. 303. DEFINITION OF MEAD AND LOW ALCOHOL BY VOLUME WINE.

(a) In General.—Section 5041 of the Internal Revenue Code of 1986 is amended—

(1) in subsection (a), by striking “Still wines” and inserting “Subject to subsection (h), still wines”, and

(2) by adding at the end the following new subsection:

“(h) MEAD AND LOW ALCOHOL BY VOLUME WINE.—
“(1) IN GENERAL.—For purposes of subsections (a) and (b)(1), mead and low alcohol by volume wine shall be deemed to be still wines containing not more than 16 percent of alcohol by volume.

“(2) DEFINITIONS.—

“(A) MEAD.—For purposes of this section, the term ‘mead’ means a wine—

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

“(ii) which is derived solely from honey and water,

“(iii) which contains no fruit product or fruit flavoring, and

“(iv) which contains less than 8.5 percent alcohol by volume.

“(B) LOW ALCOHOL BY VOLUME WINE.—

For purposes of this section, the term ‘low alcohol by volume wine’ means a wine—
“(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary may by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice,

“(ii) which is derived—

“(I) primarily from grapes, or

“(II) from grape juice concentrate and water,

“(iii) which contains no fruit product or fruit flavoring other than grape, and

“(iv) which contains less than 8.5 percent alcohol by volume.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed during calendar years beginning after December 31, 2018.

TITLE IV—DISTILLED SPIRITS

SECTION 401. REDUCED RATE OF EXCISE TAX ON CERTAIN DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5001 of the Internal Revenue Code of 1986 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:
“(c) Reduced Rate.—

“(1) In General.—In the case of a distilled spirits operation, the otherwise applicable tax rate under subsection (a)(1) shall be—

“(A) $2.70 per proof gallon on the first 100,000 proof gallons of distilled spirits, and

“(B) $13.34 per proof gallon on the first 22,130,000 of proof gallons of distilled spirits to which subparagraph (A) does not apply, which have been distilled or processed by such operation and removed during the calendar year for consumption or sale, or which have been imported by the importer into the United States during the calendar year.

“(2) Controlled Groups.—

“(A) In General.—In the case of a controlled group, the proof gallon quantities specified under subparagraphs (A) and (B) of paragraph (1) shall be applied to such group and apportioned among the members of such group in such manner as the Secretary or his delegate shall by regulations prescribe.

“(B) Definition.—For purposes of subparagraph (A), the term ‘controlled group’ shall have the meaning given such term by subsection
(a) of section 1563, except that ‘more than 50 percent’ shall be substituted for ‘at least 80 percent’ each place it appears in such subsection.

“(C) Rules for non-corporations.—

Under regulations prescribed by the Secretary, principles similar to the principles of subparagraphs (A) and (B) shall be applied to a group under common control where one or more of the persons is not a corporation.

“(D) Single taxpayer.—Pursuant to rules issued by the Secretary, two or more entities (whether or not under common control) that produce distilled spirits marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the application of this subsection.”.

(b) Conforming Amendment.—Section 7652(f)(2) of the Internal Revenue Code of 1986 is amended by striking “section 5001(a)(1)” and inserting “subsection (a)(1) of section 5001, determined as if subsection (c)(1) of such section did not apply”.

(c) Application of Reduced Tax Rate for Foreign Manufacturers and Importers.—Subsection (c)
of section 5001 of the Internal Revenue Code of 1986, as added by subsection (a), is amended—

(1) in paragraph (1), by inserting “but only if the importer is an electing importer under paragraph (3) and the proof gallons of distilled spirits have been assigned to the importer pursuant to such paragraph” after “into the United States during the calendar year”, and

(2) by adding at the end the following new paragraph:

“(3) REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

“(A) IN GENERAL.—In the case of any proof gallons of distilled spirits which have been produced outside of the United States and imported into the United States, the rate of tax applicable under paragraph (1) (referred to in this paragraph as the ‘reduced tax rate’) may be assigned by the distilled sprits operation (provided that such operation makes an election described in subparagraph (B)(ii)) to any electing importer of such proof gallons pursuant to the requirements established by the Secretary of the Treasury under subparagraph (B).
“(B) ASSIGNMENT.—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services and the Secretary of the Department of Homeland Security, shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include—

“(i) a limitation to ensure that the number of proof gallons of distilled spirits for which the reduced tax rate has been assigned by a distilled spirits operation—

“(I) to any importer does not exceed the number of proof gallons produced by such operation during the calendar year which were imported into the United States by such importer, and

“(II) to all importers does not exceed the 22,230,000 proof gallons of distilled spirits to which the reduced tax rate applies,

“(ii) procedures that allow the election of a distilled spirits operation to assign
and an importer to receive the reduced tax rate provided under this paragraph,

“(iii) requirements that the distilled spirits operation provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

“(iv) procedures that allow for revocation of eligibility of the distilled spirits operation and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

“(C) CONTROLLED GROUP.—

“(i) IN GENERAL.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the distilled spirits operation, as described under paragraph (2).

“(ii) APPORTIONMENT.—For purposes of this paragraph, in the case of a con-
trolled group, rules similar to section 5051(a)(5)(B) shall apply.”.

(d) **Effective Date.**—

(1) **In General.**—Subject to paragraph (2), the amendments made by this section shall apply to distilled spirits removed after September 30, 2019.

(2) **Proration.**—For purposes of the fourth calendar quarter of 2019, the Secretary of the Treasury (or the Secretary’s delegate) shall issue such guidance, rules, or regulations as are deemed appropriate to provide that the amendments made by this section are applied on a prorated basis for purposes of distilled spirits removed during such quarter.

**SEC. 402. BULK DISTILLED SPIRITS.**

(a) **In General.**—Section 5212 of the Internal Revenue Code of 1986 is amended—

(1) by striking “Bulk distilled spirits on which” and inserting “Distilled spirits on which”, and

(2) by striking “bulk” each place it appears.

(b) **Effective Date.**—The amendments made by this section shall apply distilled spirits transferred in bond in any calendar quarters beginning more than 1 year after the date of the enactment of this Act.
TITLE V—FUNDING

SEC. 501. INCREASED FUNDING FOR THE ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.

(a) IN GENERAL.—For necessary expenses of carrying out section 1111(d) of the Homeland Security Act of 2002 (6 U.S.C. 531(d)), there are authorized to be appropriated—

(1) for fiscal year 2017, $116,439,000, to remain available until September 30, 2018; and

(2) for fiscal year 2018, $119,081,000, to remain available until September 30, 2019.

(b) AVAILABILITY OF FUNDS.—Of the amounts authorized to be appropriated under subsection (a), for each of fiscal years 2017 and 2018—

(1) $5,000,000 shall be for the costs of accelerating the processing of formula and label applications;

(2) $5,000,000 shall be for the costs of programs to enforce trade practice violations of the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.); and

(3) $5,000,000 shall be for the purpose of carrying out the provisions of this Act and the amendments made by this Act, including accelerating the
processing of permit applications for non-industrial alcohol production and distribution.