



**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

SN 2011(4)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

SPECIAL NOTICE

**Alcoholic Beverages Tax on Alcoholic Beverages Inventory
as of the Opening of Business on July 1, 2011**

Purpose: This Special Notice describes the provisions of 2011 Conn. Pub. Acts 6, §99, which impose a tax on the inventory of retailers of alcoholic beverages. A tax on inventory is commonly referred to as a “floor” tax.

Effective Date: Effective July 1, 2011, a floor tax is imposed on alcoholic beverage inventories held at the opening of business on July 1, 2011, which includes alcoholic beverages ordered prior to July 1, 2011, and delivered between July 1 and July 8, 2011.

Statutory Authority: 2011 Conn. Pub. Acts 6, §99.

Floor Tax on Alcoholic Beverages: Each retailer of alcoholic beverages (including but not limited to grocery stores, package stores, restaurants,

taverns, bars, and hotels) is required to take an inventory of all alcoholic beverages owned and held within Connecticut at the opening of business on July 1, 2011. These items held in inventory on July 1, 2011, or ordered prior to July 1, 2011, but delivered between July 1 and July 8, 2011, are subject to a floor tax at the rates listed below in the chart entitled “Tax Rates on Alcoholic Beverages Inventory.”

Under Conn. Gen. Stat. §12-435, as amended by 2011 Conn. Pub. Acts 6, §98, the rate of tax (which is imposed on distributors) is based on the type of alcoholic beverage. The General Assembly, with the passage of 2011 Conn. Pub. Acts 6, §98, has increased the tax rates on alcoholic beverages by twenty percent (20%). The floor tax on alcoholic beverages is the application of the 20% increase to each type of alcoholic beverage that is already in the inventory of retailers.

Tax Rates on Alcoholic Beverages Inventory

The chart below identifies the Alcoholic Beverage Tax Rates on alcoholic beverages inventory as of the opening of business on July 1, 2011. These tax rates are based upon the tax rate increases for alcoholic beverages for items sold on or after July 1, 2011, in accordance with 2011 Conn. Pub. Acts 6, §98.

Beverage	Size	Tax Rate
Still Wines - Not in excess of 21% alcohol by volume.	Wine Gallon	\$0.12
Still Wines Produced by Small Wineries - Not in excess of 21% alcohol by volume.	Wine Gallon	\$0.03
Fortified Wines in excess of 21% alcohol by volume and Sparkling Wines.	Wine Gallon	\$0.30
Beer and Other Malt Liquors - Draught barrels only.	Barrel	\$1.20
Beer and Other Malt Liquors - Other containers.	Wine Gallon	\$0.04
Distilled Liquors	Wine Gallon	\$0.90
Liquor Coolers - Not more than 7% of alcohol by volume.	Wine Gallon	\$0.41
Alcohol - In excess of 100 proof.	Proof Gallon	\$0.90

Alcoholic Beverages Ordered Prior to July 1, 2011, are subject to the Floor Tax: Alcoholic beverages ordered by a retailer prior to July 1, 2011, and delivered by a wholesale distributor from July 1, through July 8, 2011, are considered to be in the inventory of retailers as of July 1, 2011, and are subject to the floor tax.

The Department of Revenue Services (DRS) understands that the Department of Consumer Protection has issued guidance to distributors on this topic. Invoices for any products ordered by a retailer prior to July 1, 2011, and delivered by a wholesale distributor from July 1, 2011, through July 8, 2011, will include the statement “Alcohol Floor Tax Due on These Products” in bold red lettering.

Completion of Prescribed Forms: Retailers must use **Form FT-AFT, *Floor Tax for Alcoholic Beverage Tax***, to calculate, report, and pay the floor tax on their inventory of alcoholic beverages. Form FT-AFT must be filed on or before August 15, 2011.

The first step to complete Form FT-AFT requires retailers to take a detailed inventory of their floor stock of alcoholic beverages. Retailers may use their own method for taking inventory. However, this detailed inventory must be converted onto **Form FT-22-S, *Summary of Alcoholic Beverages Floor Tax Inventory Report on Floor Stock of Alcoholic Beverages***. Use Form FT-22-S to calculate the quantities of alcoholic beverages subject to the floor tax. Do **not** submit Form FT-22-S to DRS. Retain this summary for your records.

The floor tax rate is then applied to quantities of alcoholic beverages subject to the floor tax using Form FT-AFT, Schedule A, *Retailers of Alcoholic Beverages Inventory - Computation of Tax*.

A total of the tax due is then listed on Form FT-AFT along with any applicable penalties and interest. Only Form FT-AFT and its accompanying Schedule A are required to be filed with the DRS.

Reporting the Floor Tax by Beverage Classification: As stated above, the rate of alcoholic beverages tax is dependent upon the type of alcoholic beverage. (The definitions of alcohol, beer and other malt liquors, distilled liquors, still wines, and all fortified wines are set forth in Conn. Gen. Stat. §12-433.) The following is a list of the parts of Form

FT-22-S to be used in reporting alcoholic beverages inventories:

Still Wines: Use **Form FT-22-S, Part 1**, to report all still wines, including any non-effervescent wine of generic type or otherwise, and containing not in excess of 21% absolute alcohol by volume.

Still Wines Produced by Small Wineries: Use **Form FT-22-S, Part 2**, to report all still wines produced by small wineries (producers of 55,000 gallons or less per year), including any non-effervescent wine of generic type or otherwise, and containing not in excess of 21% absolute alcohol by volume.

Sparkling Wines and Fortified Wines: Use **Form FT-22-S, Part 3**, to report all sparkling wines, including champagne and all other effervescent wines of generic type or otherwise, whether naturally or artificially carbonated, and report all fortified wines, including any non-effervescent wine of generic type or otherwise, the alcoholic contents of which have been increased by whatever process, beyond that produced by natural fermentation, and containing more than 21% of absolute alcohol.

Beer and Malt Liquors in Barrels: Use **Form FT-22-S, Part 4**, to report all beer and other malt liquors in barrels, including: beer, ale, porter, stout, lager beer, or any other product of fermentation, infusion, or decoction of barley, malt, and hops in drinking water and containing more than one-half of one percent of absolute alcohol by volume. Alcoholic cider containing not more than 7% of absolute alcohol is taxed at the beer rate.

Beer and Other Malt Liquors in Bottles or Cans: Use **Form FT-22-S, Part 5**, to report all beer and other malt liquors, whether bottled or canned, including: beer, ale, porter, stout, lager beer, or any other product of fermentation, infusion, or decoction of barley, malt, and hops in drinking water and containing more than one-half of one percent of absolute alcohol by volume. Alcoholic cider containing not more than 7% of absolute alcohol is taxed at the beer rate. (Convert all containers of less than 1/4 barrel or less than 7 wine gallons into wine gallons.)

Distilled Liquors: Use **Form FT-22-S, Part 6**, to report all distilled liquors, including any beverage that contains alcohol obtained by distillation mixed with drinkable water and other substances in solution, including: whiskies, gin, rum, brandy, vodka, liqueurs, cordials, cocktails, and similar compounds containing distilled spirits.

Liquor Coolers: Use **Form FT-22-S, Part 7**, to report all liquor coolers containing not more than 7% of alcohol by volume.

Alcohol in Excess of 100 Proof: Use **Form FT-22-S, Part 8**, to report all alcohol, meaning ethyl alcohol, hydrated oxide of ethyl, or spirit of wine, from whatever source or by whatever process produced, in excess of 100 proof.

Open Bottles of Alcoholic Beverage are Subject to the Floor Tax: Open bottles, commonly referred to as “opened bar stock” are also subject to the Alcoholic Beverages Floor Tax. Retailers are required to take an itemized inventory of the quantity contained in an open bottle, back bar, or elsewhere in multiples of one-tenth of the full bottle. For example, a quart bottle if half-full would be 5/10 (.50) of size, or, if slightly more than half-full, it would be 6/10 (.60), etc.

After determining the total volume for “opened bar stock” in each beverage classification, include this amount in the *Total bottles (and fractional parts)* column on Form FT-22-S.

Failure to File and Pay Floor Tax: Failure to file Form FT-AFT and pay the floor tax is sufficient cause to revoke any state license or permit issued to such person.

Additionally, if any retailer fails to file this report, DRS will estimate the amount of alcoholic beverages held by that retailer based upon any information in the possession of the Commissioner of Revenue Services. Even if you possess no alcoholic beverages in inventory on July 1, 2011, you must file this form.

In addition to the tax due, a retailer who fails to file and pay the floor tax will owe interest calculated at the rate of 1% per month (or fraction of a month) of the tax due. Interest will continue to accrue from August 15, 2011, until the tax is paid in full. The retailer will also be subjected to a late payment penalty equal to 10% of the tax due, or \$50, whichever is greater.

For Further Information on the Alcoholic Beverage Tax: For further information on the alcoholic beverage tax, call the Excise Taxes Subdivision at **860-541-3224**, Monday through Friday, 8:30 a.m. to 4:30 p.m.

Effect on Other Documents: None.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the DRS.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at **www.ct.gov/DRS** to download and print Connecticut tax forms and publications.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer’s withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at **www.ct.gov/DRS** and select *e-alerts* from the left navigation bar.
