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DEPARTMENT OF THE TREASURY

Alcohol and Tobacco Tax and Trade Bureau

27 CFR Parts 19, 20, 21, 27, and 28

[Docket No. TTB–2013–0005; Notice No. 136]

RIN: 1513–AB03

Reclassification of Specially Denatured Spirits and Completely Denatured Alcohol Formulas and Related Amendments

AGENCY: Alcohol and Tobacco Tax and Trade Bureau, Treasury.

ACTION: Notice of proposed rulemaking; solicitation of comments.

SUMMARY: The Alcohol and Tobacco Tax and Trade Bureau (TTB) proposes to amend its regulations concerning denatured alcohol and products made with industrial alcohol. The proposed amendments would eliminate outdated specially denatured spirits formulas from the regulations, reclassify some specially denatured spirits formulas as completely denatured alcohol formulas, and issue some new general-use formulas for manufacturing products with specially denatured spirits. The proposed amendments would remove unnecessary regulatory burdens on the industrial alcohol industry as well as TTB, and would align the regulations with current industry practice. The proposed amendments would also make other needed improvements and clarifications, as well as a number of minor technical changes and corrections to the regulations. TTB invites comments on these proposed amendments to the regulations.

DATES: TTB must receive your written comments on or before [INSERT DATE 60 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may send comments on this document to one of the following addresses:

- <http://www.regulations.gov>: To submit comments via the Internet, use the comment form for this document as posted within Docket No. TTB–2013–0005 at “Regulations.gov,” the Federal e-rulemaking portal;
- Mail: Director, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005.
- Hand Delivery/Courier in Lieu of Mail: Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Suite 200–E, Washington, DC 20005.

See the **Public Participation** section of this document for specific instructions and requirements for submitting comments, and for information on how to request a public hearing.

You may view copies of this document, selected supporting materials, and any comments TTB receives about this proposal within Docket No. TTB–2013–0005 at <http://www.regulations.gov>. A link to this Regulations.gov docket is posted on the TTB Web site at

http://www.ttb.gov/regulations_laws/all_rulemaking.shtml under Notice No. 136.

You also may view copies of this document, all supporting materials, and any comments TTB receives about this proposal by appointment at the TTB Information Resource Center, 1310 G Street, NW., Washington, DC 20005. Please call 202–453–2270 to make an appointment.

FOR FURTHER INFORMATION CONTACT: Karen Welch of the Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, at 202–453–1039, extension 046, or IndustrialAlcoholRegs@ttb.gov.

SUPPLEMENTARY INFORMATION

Authority and Background

Internal Revenue Code

Chapter 51 of the Internal Revenue Code of 1986 (IRC), 26 U.S.C. chapter 51, contains excise tax and related provisions concerning distilled spirits used for both beverage and nonbeverage purposes. The IRC imposes an excise tax rate of \$13.50 per proof gallon on distilled spirits (26 U.S.C. 5001). Under section 5006(a) of the IRC (26 U.S.C. 5006(a)) the excise tax on distilled spirits is generally determined at the time the distilled spirits are withdrawn from the bonded premises of a distilled spirits plant.

However, section 5214(a) of the IRC authorizes, subject to regulations prescribed by the Secretary of the Treasury, the following two types of spirits to be withdrawn free of tax:

- Spirits that have been “denatured” by the addition of materials that make the spirits unfit for beverage consumption; and
- Undenatured spirits for certain governmental, educational, medical, or research purposes.

Section 5214(a)(1) of the IRC permits the withdrawal of denatured spirits free of tax for:

- Exportation;

- Use in the manufacture of a definite chemical substance, where such distilled spirits are changed into some other chemical substance and do not appear in the finished product; or
- Any other use in the arts or industry, or for fuel, light, or power, except that, under 26 U.S.C. 5273(b), denatured spirits may not be used in the manufacture of medicines or flavors for internal human use where any of the spirits remain in the finished product, and, under section 5273(d), denatured spirits may not be withdrawn or sold for beverage purposes.

The IRC authorizes the Secretary of the Treasury to prescribe regulations regarding the production, warehousing, denaturing, distribution, sale, export, and use of industrial alcohol in order to protect the revenue (26 U.S.C. 5201), and to regulate materials that are suitable to denature distilled spirits (26 U.S.C. 5241 and 5242). Section 5242 states that denaturing materials shall be such as to render the spirits with which they are admixed unfit for beverage or internal medicinal use and that the character and quantity of denaturing materials used shall be as prescribed by the Secretary by regulations. Furthermore, section 5273(a) of the IRC requires that any person using specially denatured spirits (which is defined in the following section of this document) to manufacture products:

* * * shall file such formulas and statements of process, submit such samples, and comply with such other requirements, as the Secretary shall by regulations prescribe, and no person shall use specially denatured distilled spirits in the manufacture or production of any article until approval of the article, formula, and process has been obtained from the Secretary.¹

¹ Other sections of the IRC relating to denatured spirits set forth requirements pertaining to the taxation and manufacture of distilled spirits, the withdrawal of distilled spirits free of tax or without

Regulation of Denatured Spirits

The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers Chapter 51 of the IRC pursuant to section 111(d) of the Homeland Security Act of 2002, codified at 6 U.S.C. 531(d). The Secretary has delegated various authorities through Treasury Department Order 120–01 (Revised), dated January 21, 2003, to the TTB Administrator to perform the functions and duties in the administration and enforcement of this law.

Regulations pertaining specifically to denatured spirits are found in 27 CFR part 20 (Distribution and use of denatured alcohol and rum) and part 21 (Formulas for denatured alcohol and rum). Certain provisions in TTB's regulations in 27 CFR part 19 (Distilled spirits plants), part 27 (Importation of distilled spirits, wines, and beer), and part 28 (Exportation of alcohol) also concern denatured spirits. Denatured spirits are spirits to which denaturants—which are materials that make alcoholic mixtures unfit for beverage or internal human medicinal use—have been added in accordance with 27 CFR part 21. TTB approves denaturants if the denaturants: (1) Make the spirits unfit for beverage or internal human medicinal use (26 U.S.C. 5242 and 27 CFR 21.11), (2) are adequate to protect the Federal excise tax revenue (27 CFR 21.91), and (3) are suitable for the intended use of the denatured spirits (26 U.S.C. 5242).²

payment of tax, the importation and exportation of distilled spirits, the issuance of permits for industrial alcohol users and dealers, the sale and use of industrial alcohol, and the recovery of potable alcohol from industrial alcohol (see 26 U.S.C. 5002 through 5008, 5061, 5062, 5101, 5111, 5112, 5131, 5132, 5181, 5204, 5214, 5232, 5235, 5271, 5273, and 5313).

² In most cases, spirits used for industrial purposes are "alcohol," which in this context means a type of spirits distilled at more than 160 degrees of proof and substantially neutral in character, lacking the taste, aroma, and other characteristics generally attributed to whisky, brandy, rum, or gin. (27 CFR 19.487(a)(1).)

There are two types of denatured spirits: completely denatured alcohol (C.D.A.) and specially denatured spirits (referred to as “S.D.S.” for purposes of this preamble). C.D.A. jeopardizes the revenue less than S.D.S. does—first, C.D.A. is more offensive to the taste than S.D.S. and thus C.D.A. is less likely to be used for beverage purposes, and second, it is more difficult to separate potable alcohol from C.D.A. than it is from S.D.S. For these reasons, the withdrawal and use of C.D.A. are subject to less stringent regulatory oversight than are the withdrawal and use of S.D.S.

Title 27 CFR 20.41 provides that permits are required to withdraw, deal in, or use S.D.S. The regulations also require that dealers and users of S.D.S. maintain specified records and retain invoices (see 27 CFR 20.262 through 20.268). Under § 20.264(b), users of S.D.S. are required to submit an annual report to TTB, and, under § 20.262(d), a dealer, as defined in 27 CFR 20.11, when requested by TTB, must submit a required accounting of each formulation of new and recovered S.D.S. In contrast, under 27 CFR 20.141, no permits are required to use or distribute C.D.A. (with the exception of recovery for reuse). A person that receives, packages, stores, disposes of, or uses C.D.A. is required to maintain records only when specifically requested by TTB (see 27 CFR 20.261). The regulations do not provide any reporting requirements for persons that use or deal in C.D.A.

The regulations prescribe formulas for C.D.A. and for S.D.S. C.D.A. generally may be sold and used for any purpose (§ 20.141), with the exception that C.D.A. denatured in accordance with Formula No. 20 is restricted to fuel use

(27 CFR 21.24). In contrast, S.D.S., which is generally used as a raw material or ingredient in the manufacture of other products (termed “articles”), may not be used for any purpose not specifically authorized in the regulations. The authorized purposes are categorized within “use codes,” which are published in the regulations in 27 CFR part 21.

Manufacture of Articles with Denatured Spirits

Both C.D.A. and S.D.S. may be used to manufacture articles, which are defined in section 5002(a)(14) of the IRC (26 U.S.C. 5002(a)(14)) as “any substance in the manufacture of which denatured distilled spirits are used.” The manufacture of articles with C.D.A. is generally unregulated. By contrast, the manufacture of articles with S.D.S. is strictly regulated under 27 CFR part 20, in accordance with sections 5271 through 5275 of the IRC (26 U.S.C. 5271–5275). A significant aspect of this regulation is the requirement for prior TTB approval of all articles made with S.D.S. Such approval is mandated by law in section 5273(a) of the IRC (26 U.S.C. 5273(a)), which states, “* * * no person shall use specially denatured distilled spirits in the manufacture or production of any article until approval of the article, formula, and process has been obtained from the Secretary.”

TTB approval of articles takes two forms. First, TTB approves specific, proprietary formulas and processes for articles, submitted by manufacturers on TTB Form 5150.19. Second, “general-use formulas,” which TTB generally approves by publishing them in the regulations in 27 CFR part 20, are approved formulas for articles. General-use formulas may be used by any manufacturer

that has a TTB permit to use S.D.S. in the manufacture of articles. Each general-use formula authorizes the production of only a specific type of article. Under § 20.111, manufacturers of articles produced pursuant to general-use formulas are not required to obtain specific formula approval from TTB on TTB Form 5150.19. Thus, the regulatory burden is lighter on manufacturers producing articles pursuant to general-use formulas than on manufacturers producing articles pursuant to other formulas that prescribe S.D.S. (In fiscal year 2011, TTB received 1,593 formula applications on TTB Form 5150.19.)

Updating of Industrial Alcohol Regulations

In this document, TTB proposes changes to the industrial alcohol regulations found in 27 CFR parts 19, 20, 21, 27, and 28. The proposed changes would reduce regulatory burdens on the industrial alcohol industry as well as TTB, update the regulations to align them with current industry practice, and clarify other regulatory provisions.

Terminology

TTB is providing the following definitions to assist in comprehension of this proposed rulemaking:

- Rum is any spirit produced from sugar cane products and distilled at less than 190 proof in such manner that the spirit possesses the taste, aroma, and characteristics generally attributed to rum.

- A formula is an instruction for manufacturing a product, and is analogous to a recipe that a cook follows. This document refers to two broad types of formulas: denatured alcohol formulas and article formulas. Denatured

alcohol formulas specify the instructions for producing either S.D.S (as specified in 27 CFR part 21 subpart D) or C.D.A. (as specified in 27 CFR part 21 subpart C). Article formulas include both formulas approved individually by TTB on TTB Form 5150.19 and general-use formulas (as specified in 27 CFR 20.112 through 20.119).

- A formulation is a physical product manufactured in accordance with a formula, and is analogous to a cooked meal that has been prepared, using a recipe. The word “formulation” can refer to S.D.S., C.D.A., or an article.
- Specially Denatured Spirits (S.D.S.) are specially denatured alcohol (S.D.A.) and/or specially denatured rum (S.D.R.). Only a registered distilled spirits plant may produce S.D.S. TTB and industry generally refer to formulations of S.D.S. by the formula number. For example, a formulation produced in accordance with S.D.A. Formula No. 40–B is simply referred to as “S.D.A. 40–B.” To reflect the common parlance, this same shorthand is used throughout this document.
- Specially Denatured Alcohol (S.D.A) is alcohol that has been denatured following a formula specified in subpart D of 27 CFR part 21. A formulation of S.D.A. may be used only for the uses specified for the corresponding formula in 27 CFR part 21.
- Specially Denatured Rum (S.D.R.) is rum that has been denatured following the formula specified in subpart D of 27 CFR part 21. S.D.R. may be used only for the uses specified for that formula in 27 CFR part 21. (There is currently only one formula for S.D.R.)

- Completely Denatured Alcohol (C.D.A.) is alcohol that has been denatured under a formula specified in subpart C of 27 CFR part 21. Only a registered distilled spirits plant may produce C.D.A. TTB and industry generally refer to formulations of C.D.A. by the formula number. For example, a formulation produced in accordance with C.D.A. Formula No. 20 is simply referred to as “C.D.A. 20.” To reflect the common parlance, this same shorthand is used throughout this document.

- An article is any substance or preparation manufactured using denatured spirits.

- A general-use formula is a formula for making a certain type of article that is prescribed by 27 CFR 20.112 through 20.119, approved by TTB as an alternate method, or published as a TTB ruling. Specific formula approval by TTB on Form 5150.19 is not required for an article made pursuant to a general-use formula.

Business Process Reengineering Study

As part of TTB’s effort to reduce regulatory burdens, TTB commissioned a Business Process Reengineering (BPR) study to streamline the approval process for articles made with S.D.S. The BPR study involved a review of the S.D.S. formulas in 27 CFR part 21 with the goal of achieving significantly less regulatory burden without threat to the revenue. The BPR study also examined whether any S.D.S. formulas are no longer in use, and thus can be deleted.

TTB proposes to adopt the following BPR recommendations:

- To remove from the regulations 16 S.D.A. formulas that are no longer in use;
- To reclassify two S.D.A. formulas as C.D.A. formulas;
- To issue a general-use formula for any appropriate articles made with any of 15 S.D.A. formulations —14 S.D.A. formulations identified in the BPR study and S.D.A. No. 35–A, which was identified by TTB as being appropriate for the general-use formula; and
- To issue three general-use formulas subject to specified conditions.

These proposed changes to the regulations are discussed below.

Review of Other Regulations Relating to the Manufacture, Use, and Distribution of S.D.A., C.D.A., and Articles

In addition to commissioning the BPR study, TTB reviewed past formula approvals and industry member requests to determine if it would be appropriate to create any other new general-use formulas or revise any existing general-use formulas. As a result of this review, TTB determined that it would be appropriate to create an additional new general-use formula for duplicating fluids and ink solvents, and to authorize one additional denaturant for the existing general-use formula for proprietary solvents. These changes are discussed in detail below. TTB also reviewed the denaturants authorized in part 21 to ascertain whether their use is consistent with other Federal regulations. As a result of this review, TTB decided to remove one denaturant, benzene, from the regulations in part 21. Its removal is discussed in detail below.

TTB also reviewed the related regulations in 27 CFR parts 19, 20, 27, and 28 and found references to a number of out-dated processes. Consequently, TTB is proposing to change the regulations in 27 CFR parts 19, 20, 27, and 28 relating to the following subjects:

- Destruction of S.D.S. or recovered alcohol;
- Adoption of formulas by parent or subsidiary corporations;
- Bay rum, alcoholado, or alcoholado-type toilet waters for export;
- Reagent alcohol for manufacturing;
- Labeling of articles;
- Exportation of S.D.S. by dealers; and
- Articles for export.

In addition to the above changes, TTB is proposing to make clarifying and technical changes to the regulations relating to:

- Records of article manufacture;
- Part 20 definitions;
- Developmental samples of articles;
- General-use formulas;
- General-use formulas for tobacco flavors and inks;
- Use of the word “formulation” instead of the word “formula;”
- Low alcohol general-use formula;
- Articles for internal human use;
- Registration of persons trafficking in articles;
- Shipment for the account of another dealer;

- Incomplete shipments of S.D.S.—use of the term “proprietor;”
- Permittee’s Records and Reports;
- Authorization of substitute denaturants in part 21;
- Incorporation of authorized substitute denaturants;
- Industry Circular 75–6, Importation of Ethyl Alcohol for Industrial

Purposes; and

- Certain miscellaneous non-substantive technical or editorial matters.

Proposed Substantive Changes

Removal of Certain S.D.A. Formulas

TTB is proposing to remove the 16 S.D.A. formulas in part 21 that do not appear to be in use. Those 16 formulas and the denaturants prescribed for each formula are identified in the table below:

Section Number	S.D.A. Formula No.	Denaturant(s) per 100 gallons of Alcohol of not less than 185 Proof
21.34	2–C	33 pounds or more of metallic sodium and either ½ gallon of benzene, ½ gallon of toluene, or ½ gallon of rubber hydrocarbon solvent.
21.36	3–B	1 gallon of pine tar, U.S.P.
21.39	6–B	½ gallon of pyridine bases.
21.42	17	0.05 gallon (6.4 fl. oz.) of bone oil (Dipple’s oil).
21.45	20	5 gallons of chloroform.
21.46	22	10 gallons of formaldehyde solution, U.S.P.
21.48	23–F	3 pounds of salicylic acid, U.S.P., 1 pound of resorcinol (resorcin), U.S.P., and 1 gallon of bergamot oil, N.F. XI, or bay oil (myrcia oil), N.F. XI.
21.52	27	1 gallon of rosemary oil, N.F. XII, and 30 pounds of camphor, U.S.P.

21.53	27-A	35 pounds of camphor, U.S.P., and 1 gallon of clove oil, N.F.
21.54	27-B	1 gallon of lavender oil, N.F., and 100 pounds of green soap, U.S.P.
21.60	33	30 pounds of gentian violet or gentian violet, U.S.P.
21.66	38-C	10 pounds of menthol, U.S.P., and 1.25 gallons of formaldehyde solution, U.S.P.
21.69	39	9 pounds of sodium salicylate, U.S.P., or salicylic acid, U.S.P.; 1.25 gallons of fluid extract of quassia, N.F. VII; and 1/8 gallon of <u>tert</u> -butyl alcohol.
21.70	39-A	60 avoirdupois ounces of any one of the following alkaloids or salts together with 1/8 gallon of <u>tert</u> -butyl alcohol: quinine, N.F. X.; quinine bisulfate, N.F. XI.; quinine dihydrochloride, N.F. XI.; cinchonidine; cinchonidine sulfate, N.F. IX.
21.78	42	(1) 80 grams of potassium iodide, U.S.P., and 109 grams of red mercuric iodide, N.F. XI; or (2) 95 grams of thimerosal, U.S.P.; or (3) 76 grams of any of the following: phenyl mercuric nitrate, N.F.; phenyl mercuric chloride, N.F. IX; or phenyl mercuric benzoate.
21.81	46	25 fluid ounces of phenol, U.S.P., and 4 fluid ounces of methyl salicylate, N.F.

Some of the formulas that TTB is proposing to remove from the regulations prescribe denaturants that are not mentioned in other formulas; therefore, TTB is proposing to remove the following denaturants from the table in 27 CFR 21.151, which sets forth a list of denaturants authorized for use in denatured spirits:

- Bone oil (Dipple's oil);
- Chloroform;
- Cinchonidine;
- Cinchonidine sulfate, N.F. IX;

- Gentian violet;
- Gentian violet, U.S.P.;
- Mercuric iodide, red, N.F. XI.;
- Pine tar, U.S.P.;
- Phenyl mercuric benzoate;
- Phenyl mercuric chloride, N.F. IX.;
- Phenyl mercuric nitrate, N.F.;
- Pyridine bases;
- Quassia, fluid extract, N.F. VII.;
- Quinine, N.F. X.;
- Quinine dihydrochloride, N.F. XI.;
- Resorcinol (Resorcin), U.S.P.;
- Salicylic acid, U.S.P.;
- Sodium (metallic); and
- Thimerosal, U.S.P.

TTB also proposes to remove the following regulations that provide specifications for some of these denaturants, because the specifications would no longer be needed. Those regulations are 27 CFR 21.98 (Bone oil (Dipple's oil)), 21.103 (Chloroform), 21.104 (Cinchonidine), 21.111 (Gentian violet), 21.121 (Phenyl mercuric benzoate), 21.122 (Pyridine bases), and 21.128 (Sodium (metallic)).

In addition, TTB proposes to remove the references to each of the 16 S.D.A. formulas from the chart in 27 CFR 21.141, which lists products and

processes for which specially denatured alcohol and rum are specified. TTB also proposes to remove the reference to “Antiseptic, bathing solution (restricted)” from the chart in § 21.141, because the only S.D.A. formula specified for that product is Formula No. 46, which is being removed from the regulations.

Finally, in 27 CFR 21.161, TTB proposes to remove the entry for each of the 16 S.D.A. formulas from the chart, which lists the weights and specific gravities of specially denatured alcohol.

Reclassification of Certain S.D.A. Formulas as C.D.A. Formulas

As noted above, TTB has identified two S.D.A. formulas that TTB could reclassify as C.D.A. formulas, because it would be very difficult to separate the denaturant from the alcohol in the resulting formulation. S.D.A. Formula No. 12–A, found in 27 CFR 21.40, currently specifies 5 gallons of benzene or toluene per 100 gallons of alcohol of not less than 185 proof. S.D.A. Formula No. 35, found in § 21.61, specifies 29.75 gallons of ethyl acetate having an ester content of 100 percent by weight or the equivalent thereof not to exceed 35 gallons of ethyl acetate with an ester content of not less than 85 percent by weight per 100 gallons of alcohol of not less than 185 proof. These two formulas prescribe denaturants that form azeotropes—liquid mixtures that have constant minimum or maximum boiling points that are lower or higher than that of any of their components, and that distill without a change in composition—with ethanol in the resulting formulations. Thus, it would be more difficult to separate the ethanol from the denaturants by distillation and simple manipulation compared to other S.D.S. formulations. Therefore, TTB proposes to reclassify these two S.D.A.

formulas as C.D.A. formulas by removing §§ 21.40 and 21.61 and by adding new 27 CFR 21.21a and 21.25 respectively. In addition, TTB proposes to remove the references to these two S.D.A. formulas from the charts in §§ 21.141 and 21.161.

General-use Formula for Articles Made with Certain S.D.A. Formulations

As was explained earlier in this document, general-use formulas are provided in 27 CFR part 20 for the production of certain types of articles. Manufacturers of articles produced in accordance with general-use formulas are not required to obtain specific formula approval from TTB on Form 5150.19.

As stated above, TTB has determined that it would be appropriate to issue a new general-use formula for any appropriate articles made with one or more of 15 S.D.A. formulations—the 14 S.D.A. formulations identified in the BPR study and S.D.A. 35–A, which TTB identified as being appropriate for the general-use formula. It would be difficult to separate the alcohol from the articles produced using one or more of those 15 S.D.A. formulations, and, thus, revenue would not be jeopardized. The 15 S.D.A. formula numbers and their denaturant specifications are as follows:

S.D.A. Formula No.	Denaturant(s) per 100 gallons of Alcohol of not less than 185 Proof
1	4 gallons of methyl alcohol and either 1/8 avoirdupois ounces of denatonium benzoate; 1 gallon of methyl isobutyl ketone; 1 gallon of mixed isomers of nitropropane, or 1 gallon of methyl <u>n</u> -butyl ketone.
3–A	5 gallons of methyl alcohol.
13–A	10 gallons of ethyl ether.
19	100 gallons of ethyl ether.
23–A	8 gallons of acetone, U.S.P.
23–H	8 gallons of acetone, U.S.P., and 1.5 gallon of methyl isobutyl ketone.

30	10 gallons of methyl alcohol.
32	5 gallons of ethyl ether.
35-A	4.25 gallons of ethyl acetate having an ester content of 100% by weight or the equivalent thereof not to exceed 5 gallons of ethyl acetate with an ester content of not less than 85% by weight.
36	3 gallons of ammonia, aqueous, 27 to 30% by weight; 3 gallons of strong ammonium solution, N.F.; 17.5 pounds of caustic soda, liquid grade, containing 50% by weight sodium hydroxide; or 12 pounds of caustic soda, containing 73% by weight sodium hydroxide.
37	45 fluid ounces of eucalyptol, N.F. XII, 30 avoirdupois ounces of thymol, N.F., and 20 avoirdupois ounces of menthol, U.S.P.
38-D	2.5 pounds of menthol, U.S.P., and 2.5 gallons of formaldehyde solution, U.S.P.
40	1/8 gallon of <u>tert</u> -butyl alcohol and 1.5 avoirdupois ounces of either (1) brucine alkaloid, (2) brucine sulfate, N.F. IX, (3) quassin, or (4) any combination of 2 of the 3.
40-A	1 lb of sucrose octaacetate and 1/8 gallon of <u>tert</u> -butyl alcohol.
40-B	1/16 avoirdupois ounces of denatonium benzoate, N.F., and 1/8 gallon of <u>tert</u> -butyl alcohol.

TTB is proposing to add a new 27 CFR 20.120 setting forth a general-use formula covering articles made with any of those 15 S.D.A. formulations. This general-use formula will cover any article made with any of the S.D.A. formulations specified in the new § 20.120, provided that the article conforms to one of the use codes authorized for the S.D.A. formulation being used. (Articles produced under this general-use formula made with more than one S.D.A. formulation must conform to a use code that is authorized for all S.D.A. formulations being used.) Use codes are identified in section (b) of each section of subpart D of part 21. Use Code 900 (“Specialized uses (unclassified)”) is not allowed under this general-use formula because it is a “catch-all” for all uses not otherwise specified. TTB will still consider for approval on TTB Form 5150.19

formulas for articles that are intended to be used for specialized unclassified uses under Use Code 900.

The proposed § 20.120 also requires that the finished article made following this general-use formula contain sufficient additional ingredients to definitely change the composition and character of the original S.D.A. used to make the article. The additional ingredients change the character of the S.D.A., so that when the article is sold on the retail level, it is substantially different from S.D.A. This requirement is necessary to comply with the law, because an article that is essentially similar to S.D.S. should not be sold to the general public; 26 U.S.C. 5271(a) requires a permit for anyone procuring S.D.S. This requirement would be similar to the current requirement for special industrial solvents found in 27 CFR 20.112(b), and is necessary to ensure that the resulting articles are unfit for beverage or internal human use and are not capable of being reclaimed or diverted to beverage or internal human use.

General-use Formulas, with Conditions, for Certain Articles Made with S.D.A. Formulas

As discussed above, TTB has identified three S.D.A. formulations that may be used as ingredients, subject to certain conditions, in certain general-use formulas. Accordingly, in new 27 CFR 20.121, TTB proposes to allow the use of S.D.A. 18 (specified in 27 CFR 21.43) in a vinegar general-use formula. In addition, in new 27 CFR 20.122, TTB proposes to allow the use of S.D.A. 39–C (specified in 27 CFR 21.72) in a general-use formula. Finally, in new 27 CFR 20.123, TTB proposes to provide for the use of S.D.A. 40–C (specified in 27 CFR 21.77) in a pressurized container general-use formula. Only the uses that are

currently approved for the corresponding S.D.A. formula in part 21 would be allowed under each of these three new general-use formulas. The chart below states, with respect to each new general-use formula: its proposed new section number, the number of the S.D.A. formula prescribed for it, the denaturants contained in that S.D.A., and the proposed condition.

Proposed new section	S.D.A. Formula No.	Denaturant(s) per 100 gallons of Alcohol of not less than 185 Proof	Condition
20.121	18	100 gallons of vinegar not less than 90-grain strength or 150 gallons of vinegar of not less than 60-grain strength	Must be used in a process to make vinegar whereby either all the ethyl alcohol loses its identity or only residual ethyl alcohol within the limit specified in § 20.104 remains.
20.122	39-C	1 gallon of diethyl phthalate	Each gallon of finished product must contain not less than 2 fl. oz. of perfume material (essential oils as defined in § 21.11, isolates, aromatic chemicals, etc.).
20.123	40-C	3 gallons of <u>tert</u> -butyl alcohol	This formula may only be used in the manufacture of products which will be packaged in pressurized containers in which the liquid contents are in intimate contact with the propellant and from which the contents are not easily removable in liquid form.

The condition that articles made with S.D.A. 39-C contain in each gallon of finished product at least two fluid ounces of perfume material (including essential oils, isolates, and aromatic chemicals) currently appears in the regulations at 27 CFR 20.103. Because this condition will appear in the general-

use formula specified in the new § 20.122, and because the new general-use formula covers all articles made with S.D.A. 39–C, the condition is no longer needed in § 20.103. Accordingly, TTB proposes to remove § 20.103 from the regulations.

General-use Formula for Duplicating Fluids and Ink Solvents

TTB has approved approximately 570 article formulas specifically for duplicating fluids and ink solvents, most of which specify S.D.A. 3–C, but some of which specify S.D.A. 1 and S.D.A. 3–A. Duplicating fluids and ink solvents are articles made of denatured alcohol combined with other ingredients, and are intended only for use in the printing industry. To eliminate the need for specific article formula approval from TTB, TTB proposes to create a general-use formula for duplicating fluids and ink solvents specifying S.D.A. 1, 3–A, and 3–C in new 27 CFR 20.124.

Specification of S.D.A. 3–C in the Proprietary Solvents General-use Formula

TTB has approved numerous requests from industry members to use S.D.A. 3–C formulations to make proprietary solvents under the general-use formula in § 20.113(a). Section 20.113(a) currently allows the use of S.D.A. 1 or 3–A in the proprietary solvents general-use formula. TTB is proposing to amend § 20.113(a) to also allow for the use of S.D.A. 3–C in making proprietary solvents.

Removal of Benzene from the Regulations

Upon review, TTB determined that benzene should be removed from the S.D.A. and C.D.A. formulas. Benzene is currently prescribed by S.D.A. Formula

Nos. 2–B, 2–C, and 12–A. The U.S. Environmental Protection Agency (EPA) in its regulations has designated benzene as a hazardous air pollutant under the Clean Air Act (40 CFR 61.01(a)), and EPA regulations limit the amount of benzene that may be used in gasoline (40 CFR part 80). As was discussed above, TTB is already proposing to remove S.D.A. Formula No. 2–C from the regulations, and to reclassify S.D.A. Formula No. 12–A as a C.D.A. formula. Accordingly, TTB is proposing to remove benzene as a denaturant prescribed in S.D.A. Formula No. 2–B by amending 27 CFR 21.33, and to exclude benzene from the denaturants prescribed by the new C.D.A. Formula No. 12–A in proposed § 21.21a. TTB notes that other authorized denaturants may contain small quantities of benzene. For example, benzene is allowed, up to a maximum of 1.1 percent by volume, in two newly authorized denaturants: high octane denaturant blend and straight run gasoline (see discussion on Incorporation of Authorized Substitute Denaturants, below). Under EPA regulations, importers and refiners of gasoline must ensure that their gasoline complies with certain benzene limits. (See 40 CFR 80.1230(a) and (b).) To the extent that TTB-permitted manufacturers of denatured alcohol or fuel alcohol made with these authorized denaturants are subject to these EPA regulations, they must comply with them.

TTB is also proposing to remove benzene from the list of authorized denaturants in § 21.151.

Destruction of S.D.S. or Recovered Alcohol

Under 27 CFR part 20, when a permittee destroys S.D.S. or recovered alcohol, the permittee's liability for payment of the Federal excise tax on the alcohol is terminated (27 CFR 20.221), but the permittee must prepare a record of the destruction (27 CFR 20.222).

If recovered material meets the specifications of an article formula approved by TTB on TTB Form 5150.19, the recovered material may be transferred for destruction to nonpermittees. If recovered material is not sufficiently denatured to be treated as an article, the material is treated as S.D.S., which by law (26 U.S.C. 5271(a)(2)) may only be procured by a permittee. To destroy the material without transferring it to a permittee, the manufacturer could add denaturants or similar chemicals to the recovered S.D.S. to make the material into an article meeting the specifications of an article formula approved by TTB on TTB Form 5150.19 that could then be transferred to a nonpermittee.

To clarify the regulations relating to these matters, TTB proposes to add a new paragraph to 20.222, titled "Destruction by nonpermittees." The new paragraph will state that destruction of recovered material that is not sufficiently denatured to meet the formula specifications of an article must be done by the original manufacturer, a distilled spirits plant, or a facility that possesses an S.D.S. dealer's permit.

Adoption of Formulas by Parent or Subsidiary Corporations

Currently, TTB's regulations allow a permittee to adopt only its predecessor's formulas. In order to increase operating flexibility for domestic

manufacturers, TTB proposes to amend 27 CFR 20.63 to allow any permittee to adopt, for use at any of its plants, any formula previously approved for use at another of its plants, or any formula previously approved for its parent or wholly-owned subsidiary. TTB also proposes to remove the requirements that the certificate of adoption must contain a TTB Laboratory sample number (unnecessary in this context) and the TTB Form 5150.19 serial number (which is no longer used).

Bay Rum, Alcoholado, or Alcoholado-type Toilet Waters for Export

Currently, under 27 CFR 20.102, bay rum, alcoholado, and alcoholado-type toilet waters must contain the materials specified in that section. However, TTB has approved alternate methods and procedures under § 20.22 to allow industry members to make these products without adding the materials specified in § 20.102 if the products were intended only for export. Accordingly, TTB is proposing to amend § 20.102 to except bay rum, alcoholado, and alcoholado-type toilet waters produced under an approved formula and endorsed “For Export Only” from the requirement that they be produced from the materials specified in that section. TTB is also proposing to change the unit of measurement in § 20.102 from “grains,” which is outdated, to metric units. Finally, the change also replaces the reference to “Bitrex (THS 839),” which is a registered trade name, with the generic term “denatonium benzoate.”

Reagent Alcohol for Manufacturing

“Reagent alcohol” is an approved article only if distributed for scientific use at a laboratory (27 CFR § 20.117(d)). Therefore, reagent alcohol not so

distributed is not an approved article but remains in the category of S.D.A., which by law may not be used in the manufacture or production of an article prior to the issuance of both a permit (26 U.S.C. 5271) and a formula approval (26 U.S.C. 5273(a)).

TTB believes that the current regulations on reagent alcohol should be less restrictive. Consequently, TTB proposes to add to § 20.117 a new paragraph (e) that would allow permittees who have a legitimate use for reagent alcohol in manufacturing to receive it for that purpose, but only from distilled spirits plants and S.D.S. user or dealer permittees. To ensure that such use is appropriate, TTB will still require an approved formula for a permittee to receive and use reagent alcohol in manufacturing even if the product being manufactured conforms to a general-use formula. Further, when used in this manner, reagent alcohol must be treated as S.D.A., not as an article. TTB also proposes to amend § 20.117(a) to provide for treatment of reagent alcohol as S.D.A. when distributed for use in manufacturing. Finally, TTB proposes some additional non-substantive organizational and wording changes in § 20.117 to improve its clarity and readability.

Labeling of Articles

TTB is proposing to amend 27 CFR 20.134 to allow containers of articles to either (1) bear a label or (2) have the required information etched or printed directly on the containers, since the technology now exists to etch or print information directly on containers. TTB is proposing this change to allow for greater flexibility in labeling articles.

Exportation of S.D.S. by Dealers

The IRC at 26 U.S.C. 5214(a)(1) allows for the withdrawal of S.D.S. free of tax for exportation and does not prohibit such exportation of S.D.S. by dealers. However, the current regulations do not provide for the exportation of S.D.S. by dealers, but they do allow for the exportation of S.D.S. by distilled spirits plants.

TTB believes that the exportation of S.D.S. by dealers who hold a TTB permit generally will not represent a significant threat to the revenue. Accordingly, TTB proposes to amend the regulations by adding a new 27 CFR 20.183 which would allow for the exportation of S.D.S. by dealers provided that the S.D.S. conforms to a formula specified in part 21 of the TTB regulations, that the exportation is to a country the laws of which allow the importation of such spirits, and that the dealer notifies TTB of the exportation. TTB will appropriately modify TTB Form 5100.11, Withdrawal of Spirits, Specially Denatured Spirits, or Wines for Exportation, to incorporate this change. The proposed regulatory text excludes S.D.S. 3-C, 29, and 38-B because these formulations are more susceptible to being rendered fit for beverage use. TTB is also proposing to add a new 27 CFR 28.157 in TTB's regulations on exports, which will provide a cross-reference to the new provision in part 20.

Articles for Export

TTB, and previously ATF, have approved alternate methods or procedures for industry members to produce articles for export where the article could not be approved for domestic distribution because it is not sufficiently denatured to preclude any recovery of potable alcohol. TTB's regulations allow for the export

of S.D.S., so TTB is proposing to add new § 20.193 (27 CFR 20.193) to also allow for the export of articles that would not be approved for domestic distribution. This new provision is not expected to create any significant jeopardy to the revenue, and will allow businesses to export such products to foreign countries.

Clarifying and Technical Changes

Records of Article Manufacture

Distilled spirits plant proprietors who manufacture articles are required by 27 CFR 19.607 to keep certain records. The records required to be kept pursuant to § 19.607 generally parallel those required to be kept by 27 CFR part 20, but do not include records of ingredients used. A record of ingredients used is essential to verify compliance with approved formulas. Therefore, TTB proposes to amend § 19.607 by cross referencing in it the requirements of 27 CFR part 20.

Part 20 Definitions

Currently, § 20.11 does not include definitions for “TTB,” “Fit for beverage use, or fit for beverage purposes,” “Internal human use,” or “Unfit for beverage use, or unfit for beverage purposes.” TTB is proposing to add definitions of these terms to this section. TTB is also proposing to amend 27 CFR 20.111(c), 20.114(a), 20.115(a), 20.133(b) and 20.189(d), to use the defined terms “fit for beverage use,” “fit for beverage purposes,” “unfit for beverage use,” or “unfit for beverage purposes” to help clarify those regulatory sections.

Developmental Samples of Articles

For clarity, TTB is proposing to revise 27 CFR 20.95 (Developmental samples of articles). The revised text provides that the user may only use the limited quantity of S.D.S. that is necessary to produce the samples. The current regulation provides that “limited quantities” may be used. The text further clarifies that only one sample of each formulation of the article under development may be sent to each prospective customer and that these samples may be produced without prior formula approval.

General-use Formulas

TTB is proposing to revise § 20.111 to reflect the issuance of new general-use formulas as proposed in this document, update the information on how to locate TTB publications, and clarify when a statement of process is required. Additionally, the changes would clarify that articles made under a general-use formula must meet the same standards as other articles; that is, the articles must be unfit for beverage use and incapable of being reclaimed or diverted to beverage use or internal human use.

General-use Formulas for Tobacco Flavors and Inks

TTB is proposing to amend §§ 20.114 and 20.115 to clarify that articles produced under the tobacco flavor general-use formula and the ink general-use formula must contain ingredients that are sufficient to ensure that the articles are unfit for beverage use.

Use of the Word “Formulation” Instead of the Word “Formula”

TTB is proposing to amend 20.119, 20.136, 20.141, 20.170, 20.189, 20.262, 20.263, and 20.264 to correct several inconsistent uses of the word “formula.” The word “formula” is to be used to refer to a prescription of the ingredients (“recipe”) to be used to produce S.D.S., C.D.A., or an article. The word “formulation” is to be used to refer to the physical S.D.S., C.D.A., or article produced in accordance with a formula.

Low Alcohol General-use Formula

TTB is proposing to clarify in § 20.116 that articles made under the low alcohol general-use formula must be covered by a statement of process as provided in 27 CFR 20.94 even if the articles do not contain alcohol or the articles’ manufacture includes the recovery of C.D.A. or S.D.S. (Examples of low-alcohol articles are hair mousses and some household detergents.) Additionally, TTB is proposing to clarify in § 20.116 that the alcohol content of the finished article can be measured by either weight or by volume, because when the alcohol content is as low as 5 percent, there is no significant difference between the two types of measurements for TTB’s purposes.

Articles for Internal Human Use

The regulations in part 20 require that, if denatured spirits are used in the production of a medicinal preparation or flavoring extract which is for internal human use, none of the spirits may remain in the finished product (27 CFR 20.132(a)). TTB proposes to add a definition for “Internal human use” to § 20.11 to clarify that this term does not apply to use only in the mouth, when the product

is not intended to be swallowed. Thus, the prohibition on the use of S.D.S. in articles made for internal human use would not apply to mouthwashes, toothpastes, breath sprays, and other articles that are used in the mouth but that are not intended to be swallowed.

Registration of Persons Trafficking in Articles

TTB is proposing to clarify in § 20.133, which allows TTB to require the registration of persons trafficking in articles, that finished articles must not be reclaimed or diverted to beverage use or internal human use. This requirement is also imposed on S.D.S. users and manufacturers of articles in § 20.189(d).

Shipment for the Account of Another Dealer

In 27 CFR 20.175(c), TTB is proposing to clarify that persons shipping S.D.S. are not liable for the tax on the spirits, except as provided in 26 U.S.C. 5001(a)(4) and (5). The proposed change makes § 20.175(c) consistent with the law.

Incomplete Shipments of S.D.S.—Use of the Term “Proprietor”

TTB is proposing to clarify in 27 CFR 20.204(c) that the “dealer or proprietor” refers to the “shipper,” which is either a dealer or distilled spirits plant proprietor.

Permittee’s Records and Reports

TTB is proposing to add new paragraph (a)(4) to § 20.264, which cross-references the recordkeeping requirement of § 20.193(b)(4), to make it easier for an individual reading the regulations to know what is required.

Authorization of Use of Substitute Denaturants in Part 21

Under 27 CFR 21.91, TTB may authorize the use of substitute denaturants if valid reasons exist and if such use will not jeopardize the revenue. TTB has authorized the use of several such substitute denaturants in TTB Rulings that are publicly available. TTB is proposing to add language to § 21.91 to clarify that TTB may authorize the use of a substitute denaturant in a TTB Ruling.

Incorporation of Authorized Substitute Denaturants

TTB and its predecessor agency, ATF, have approved, under § 21.91, the use of substitute denaturants for use in making S.D.A. 2–B, 3–A, 12–A, 36, 38–B, and 38–F and C.D.A. 20. TTB has also approved, under § 19.746, the use of new materials that can be used to render alcohol unfit for beverage use for the purposes of making fuel alcohol. In addition, TTB recently approved, under § 20.111, the use of a new prescribed ingredient in the special industrial solvent general-use formula set forth in § 20.112.

TTB and its predecessor agency, ATF, published the approvals as ATF Rulings 74–1, 85–15, and 86–3, and as TTB Rulings 2008–2, 2010–1, 2010–5, and 2010–6. (Some, but not all of the materials authorized in TTB Ruling 2010–6 were added to § 19.746 in the recent rulemaking on part 19; see T.D. TTB–92, 76 FR 9080, February 16, 2011.) These rulings are effective and are available on TTB’s website at <http://www.ttb.gov>. Rulemaking is not required for the approvals to be effective. However, for completeness, TTB is adding those denaturants and materials to the regulatory sections that prescribe the materials

for fuel alcohol, or the denaturants for S.D.A. Formula Nos. 2–B, 3–A, 12–A, 36, 38–B, and 38–F, and C.D.A. Formula No. 20.

Accordingly, TTB is: (1) Revising 27 CFR 19.746, 20.112, 21.24, 21.33, 21.35, 21.63, 21.65, and 21.68 to add the recently approved denaturants to the formulas (TTB is removing and reserving § 21.40 for Formula No. 12–A, but see new § 21.21a for C.D.A. Formula No. 12–A with approved denaturants); (2) adding new sections 27 CFR 21.94a, 21.105a, 21.105b, 21.106a, 21.108a, 21.112a, 21.112b, 21.112c, 21.115a, 21.115b, 21.118a, 21.118b, 21.118c, 21.121a, 21.124a, and 21.130a, and revising 27 CFR 21.121, to add the specifications for those approved denaturants; and (3) revising the chart listing authorized denaturants in § 21.151 to incorporate the new denaturants. In addition, TTB is revising the specification for toluene in 27 CFR 21.132 so that it is consistent with the updated toluene specification that was included in TTB Ruling 2010–6.

Industry Circular 75–6, Importation of Ethyl Alcohol for Industrial Purposes

The mere addition of denaturants to alcohol does not cause the product to lose its character as a distilled spirit. There is no provision in law for the withdrawal of distilled spirits from customs custody free of tax, other than for the use of the United States in accordance with 27 CFR part 27, subpart M. Therefore, imported denatured spirits and imported products that are essentially similar to denatured spirits are subject to the internal revenue tax and associated provisions of the IRC. It should be noted, however, that the internal revenue tax

does not apply to imported products that contain alcohol but are unfit for beverage use and have lost their character as distilled spirits.

TTB's predecessor, ATF, published Industry Circular 75–6 on March 28, 1975 to advise that denatured alcohol is subject to tax upon importation, although payment of the tax may be avoided by transferring the denatured alcohol from customs custody to the bonded premises of a distilled spirits plant, as provided in 26 U.S.C. 5232. As stated in the circular, “[T]he addition of denaturants to ethyl alcohol prior to importation does not free the resultant mixture from the application of the internal revenue tax imposed by 26 U.S.C. 5001(a) or from the provisions of 26 U.S.C. 5232 in regard to receipt, storage, and disposition of distilled spirits when such material is released from customs custody.”

Current regulations do not clearly state the rules regarding the importation of denatured spirits. To remedy this situation, TTB proposes to add a new § 27.222 (27 CFR 27.222) to incorporate the statement in Industry Circular 75–6 that imported denatured spirits or fuel alcohol may be transferred in bond to a distilled spirits plant without payment of tax and later withdrawn from the distilled spirits plant free of tax in accordance with 27 CFR part 19. In addition, TTB proposes to add new § 19.412 (27 CFR 19.412) to provide a cross-reference in part 19 to § 27.222 to alert industry members to that section. Section 19.742 (27 CFR 19.742) already provides for the importation of fuel alcohol by an alcohol fuel plant proprietor.

Miscellaneous Technical Changes

- Control numbers for information collection requests issued by the Office of Management and Budget have been updated in §§ 20.11, 20.63, 20.95, 20.111, 20.117, 20.133, 20.134, 20.222, and 20.264 to reflect the change from ATF to TTB.
- In 27 CFR 20.41, paragraph (d) is clarified to show that distilled spirits plants are exempt from qualification under part 20 for manufacturing activities as well as dealer activities.
- In the last sentence in the introductory text of § 20.112(a), the word “alcohol” is replaced by “S.D.A.” to clarify that the ingredients listed in § 20.112 are added to S.D.A. rather than to alcohol.

Comments received in response to Notice No. 83

In recent years, TTB has undertaken the revision of several parts of its regulations to update and modernize them. As part of this project, TTB published a notice of proposed rulemaking, Notice No. 83 (73 FR 26200; May 8, 2008), to solicit comments on proposed revisions to the distilled spirits plant regulations in 27 CFR part 19. Three of the comments received in response to Notice No. 83 related to regulations contained in 27 CFR parts 20 and 21.

One industry member proposed that, in S.D.S. and C.D.A. formulas, TTB specify a minimum amount of denaturant, rather than an exact amount of denaturant per a certain quantity of spirits. TTB believes that specifying a minimum amount of denaturant rather than an exact amount of denaturant per a

certain quantity of spirits would cause problems in verifying compliance. Furthermore, the IRC in section 5242 requires that denaturants be “suitable to the use for which the denatured distilled spirits are intended to be withdrawn.” To ensure that denatured spirits are suitable for their authorized uses (as indicated by the use codes prescribed for each S.D.S. formula), precise formulas must be followed. Each S.D.S. formula describes specific products that have been found to be suitable for the formula’s indicated uses. A product with a higher concentration of denaturants might not be suitable for the same uses. Therefore, TTB will continue to specify exact amounts of denaturants per a certain quantity of spirits in S.D.S. and C.D.A. formulas. With respect to C.D.A., it should be noted that the denaturer is free to produce an article by addition of greater quantities of denaturants, subject to the requirement of 27 CFR 20.148 that the product may no longer be called C.D.A. if its composition and character have been materially changed. Further, the TTB regulations contain authority for TTB to allow variations from the specific requirements; under § 21.91, denaturers may obtain TTB permission to use greater amounts of denaturants.

Another industry member proposed that TTB create specific regulations for each category of article (e.g., cosmetics, topical over-the-counter drug products, cleaners, and laboratory products) because category-specific regulations may reduce recordkeeping burdens on manufacturers. This would require a reanalysis of and significant revisions to the regulations, which would not be appropriate for this document because TTB has not sought the views of those who are likely to be affected by such a significant revision of the

regulations. This kind of change is outside the scope of TTB's recent review, so TTB is not planning to make such changes at this time.

A third industry member suggested that TTB harmonize the regulations for fuel alcohol produced by an alcohol fuel plant and C.D.A. 20 produced by a distilled spirits plant. TTB is considering this proposal for inclusion in a separate rulemaking with some other proposed changes to the regulations governing alcohol fuel plants, found in 27 CFR part 19, subpart X. TTB has also considered harmonizing the denaturants specified in § 21.24 for use in C.D.A. 20 and the materials authorized in § 19.746 for rendering alcohol unfit for beverage use for the production of fuel alcohol. TTB will consider making these changes in a future rulemaking.

Public Participation

Comments Sought

TTB invites comments on this proposed rulemaking from all interested parties. TTB is particularly interested in comments regarding the proposed revisions to the various definitions sections; TTB wants to define terms in a way that is clearly understandable and consistent with the relevant statutes. Please submit your comments by the closing date shown above in this document. All comments must reference Notice No. 136 and must include your name and mailing address. Your comments also must be made in English, be legible, and be written in language acceptable for public disclosure. TTB does not acknowledge receipt of comments, and considers all comments as originals.

Submitting Comments

You may submit comments on this document by using one of the following three methods:

- Federal e-Rulemaking Portal: You may send comments via the online comment form associated with this document in Docket No. TTB–2013–0005 on “Regulations.gov,” the Federal e-rulemaking portal, at <http://www.regulations.gov>. A link to this Regulations.gov docket is available under Notice No. 136 on the TTB Web site at http://www.ttb.gov/regulations_laws/all_rulemaking.shtml. Supplemental files may be attached to comments submitted via Regulations.gov. For information on how to use Regulations.gov, click on the site’s Help tab.

- U.S. Mail: You may send comments via postal mail to the Director, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Box 12, Washington, DC 20005.

- Hand Delivery/Courier: You may hand-carry your comments or have them hand-carried to the Alcohol and Tobacco Tax and Trade Bureau, 1310 G Street, NW., Suite 200–E, Washington, DC 20005.

In your comment, please clearly state if you are commenting on your own behalf or on behalf of an association, business, or other entity. If you are commenting on behalf of an entity, your comment must include the entity’s name as well as your name and position title. If you comment via Regulations.gov, please include the entity’s name in the “Organization” blank of the comment form.

If you comment via postal mail, please submit your entity's comment on letterhead.

You may also write to the Administrator before the comment closing date to ask for a public hearing. The Administrator reserves the right to determine whether to hold a public hearing.

Confidentiality

All submitted comments and attachments are part of the public record and are subject to disclosure. Do not enclose any material in your comments that you consider to be confidential or that is inappropriate for public disclosure.

Public Disclosure

On the Federal e-rulemaking portal, Regulations.gov, TTB will post, and the public may view, copies of this document, selected supporting materials, and any electronic or mailed comments TTB receives about this proposal. You may view the Regulations.gov docket containing this document and the posted comments received on it through the Regulations.gov search page at <http://www.regulations.gov>.

All posted comments will display the commenter's name, organization (if any), city, and State, and, in the case of mailed comments, all address information, including e-mail addresses. TTB may omit voluminous attachments or material that TTB considers unsuitable for posting.

You and other members of the public may view copies of this document, any supporting materials, and any electronic or mailed comments TTB receives about this proposal by appointment at the TTB Information Resource Center,

1310 G Street, NW, Washington, DC 20005. You may also obtain copies at 20 cents per 8.5- x 11-inch page. Contact TTB's information specialist at the above address or by telephone at 202-453-2270 to schedule an appointment or to request copies of comments or other materials.

Regulatory Analysis and Notices

Executive Order 12866

This proposed rule is not a significant regulatory action as defined in Executive Order 12866. Therefore, it requires no regulatory assessment.

Regulatory Flexibility Act

Pursuant to the requirements of the Regulatory Flexibility Act (5 U.S.C. Chapter 6) TTB certifies that this notice of proposed rulemaking will not have a significant economic impact on a substantial number of small entities. The proposed rule will update the regulations to align them with current industry practice, clarify other regulatory provisions, and reduce the regulatory burden on the alcohol industry as well as TTB, resulting in an estimated 80 percent reduction in the number of article formulas submitted to TTB. Thus, the regulatory changes being proposed do not create any additional requirements or burdens on small businesses, and are expected to decrease the regulatory burden on industry members, including small entities. Accordingly, a regulatory flexibility analysis is not required. Pursuant to 26 U.S.C. 7805(f), TTB will submit the proposed regulations to the Chief Counsel for Advocacy of the Small Business Administration for comment on the impact of the proposed regulations on small businesses.

Paperwork Reduction Act

The collections of information in the regulations contained in this notice have been previously reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3504(h)) and assigned control numbers 1513–0011, 1513–0028, 1513–0037, 1513–0061, and 1513–0062. Specific regulatory sections in this proposed rule that contain collections of information are 27 CFR 19.607, 20.63, 20.95, 20.111, 20.117, 20.133, 20.134, 20.183, 20.193, 20.222, 20.262, 20.263, and 20.264. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB.

Several amendments proposed in this document would reduce information collection burdens. Specifically, certain proposed amendments would alter circumstances under which article manufacturers must obtain formula approval using TTB Form 5150.19. Information collections associated with Form 5150.19 are currently approved under OMB control number 1513–0011. These amendments will reduce required submissions of Form 5150.19, and thus will reduce the total burden hours currently estimated for control number 1513–0011 by an estimated 955 burden hours, and an 80 percent reduction in the number of these forms submitted to TTB.

TTB proposes four categories of amendments that would reduce required submissions of Form 5150.19. First, TTB proposes to add new sections 27 CFR 20.120 through 20.124 setting forth five new general-use formulas covering

articles made with 19 different S.D.A. formulations. Second, TTB proposes to amend regulations in part 21 to reclassify S.D.A. Formula Nos. 12–A and 35 as C.D.A. formulas. Third, TTB proposes to amend 27 CFR 20.113(a) to permit the use of S.D.A. Formula No. 3–C in the proprietary solvents general-use formula. Fourth, TTB proposes to amend 27 CFR 20.63 to allow a permittee to adopt, for use at a plant where such use is not specifically approved, one of the permittee’s own article formulas previously approved for use at another of the permittee’s plants, or to adopt a formula previously approved for a parent or wholly-owned subsidiary.

TTB estimates that, as a result of the amendments, the new annual burden hours will be as follows:

- Estimated total annual reporting and/or record keeping burden: 239 hours.
- Estimated average annual burden hours per respondent: 0.84 hours.
- Estimated number of respondents: 285.
- Estimated annual frequency of responses: 1 (one).

One proposed amendment involves an alteration to the information collection currently approved under, OMB control number 1513–0061. The amendment to 27 CFR 20.63 would allow a permittee to adopt, for use at a plant where such use is not specifically approved, one of the permittee’s own article formulas previously approved for use at another of the permittee’s plants, or to adopt a formula previously approved for a parent or wholly-owned subsidiary. Permittees may currently adopt formulas under more limited circumstances by

submitting a certificate of adoption to TTB, which is an information collection currently approved under control number 1513–0061. Although TTB estimates that the proposed amendment will increase the number of certificates of adoption submitted to TTB under § 20.63, it will also proportionally decrease the number of submissions of Form 5150.19 that would have been required absent the amendment. Since the estimated average annual burden per respondent relating to certificates of adoption approved under control number 1513–0061 is smaller than the average annual burden for Form 5150.19 under control number 1513–0011, the amendment will in actuality reduce the overall burden on permittees. TTB estimates that, as a result of this amendment, the new annual burden under control number 1513–0061 will be as follows:

- Estimated total annual reporting and/or record keeping burden: 1,897 hours.
- Estimated average annual burden hours per respondent: 0.5 hours.
- Estimated number of respondents: 3,794.
- Estimated annual frequency of responses: 1 (one).

Other amendments to regulatory sections that involve collections of information will not impact the burden hours associated with those collections. Proposed amendments to 27 CFR 19.607, 20.95, 20.111, 20.117, 20.133, 20.134, 20.193, 20.222, 20.262, 20.263, and 20.264 will not increase or decrease information collections because the amendments clarify preexisting regulatory requirements and do not otherwise impose new requirements increasing information collection burdens. Proposed new 27 CFR 20.183 would

allow S.D.S. dealers to export S.D.S. and would require such dealers to complete TTB Form 5100.11. TTB estimates that the proposed amendment will not increase submissions of Form 5100.11 because, although the amendment will allow an additional category of persons to export, the amendment is not expected to increase demand for exported S.D.S. Thus, the exporters may be different, but the number of exportations is not expected to change. Since TTB is only proposing to include an additional category of persons entitled to export S.D.S., and not proposing to increase information collection burdens associated with exporting S.D.S., the proposed amendment would not impact currently estimated information collection burdens. Information collections associated with the amendments described in this paragraph are currently approved under OMB control numbers 1513–0028, 1513–0037, and 1513–0062. TTB estimates the new annual burden hours under these control numbers would be as follows:

OMB Control Number 1513–0028:

- Estimated total annual reporting and/or record keeping burden: 419 hours.

- Estimated average annual burden hours per respondent: 0.76 hour.

- Estimated number of respondents: 550.

- Estimated annual frequency of responses: 1 (one).

OMB Control Number 1513–0037:

- Estimated total annual reporting and/or record keeping burden: 6,000 hours.

- Estimated average annual burden hours per respondent: 20 hours.

- Estimated number of respondents: 300.
- Estimated annual frequency of responses: 20.

OMB Control Number 1513–0062:

- Estimated total annual reporting and/or record keeping burden: 1 hour.
- Estimated number of respondents: 3,430.
- Estimated annual frequency of responses: 1 (one).

Revisions of the currently approved collections have been submitted to the OMB for review. Comments on OMB control numbers 1513–0011, 1513–0028, 1513–0037, 1513–0061, and 1513–0062 should be sent to OMB at Office of Management and Budget, Attention: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503 or email to OIRA_submission@omb.eop.gov. A copy should also be sent to TTB by any of the methods previously described. Comments on the information collection should be submitted not later than [INSERT DATE 60 DAYS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

Comments are specifically requested concerning:

- Whether the collections of information approved under OMB control numbers 1513–0011, 1513–0028, 1513–0037, 1513–0061, and 1513–0062 are necessary for the proper performance of the functions of TTB, including whether the information will have practical utility;
- The accuracy of the estimated burdens associated with the collections of information (see below);

- How to enhance the quality, utility, and clarity of the information to be collected;
- How to minimize the burden of complying with the collections of information, including the application of automated collection techniques or other forms of information technology; and
- Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Drafting Information

Steven C. Simon and Karen E. Welch of the Regulations and Rulings Division, TTB, drafted this document. Other employees of TTB contributed to the development of this document.

List of Subjects

27 CFR Part 19

Caribbean Basin Initiative, Claims, Electronic funds transfer, Excise taxes, Exports, Gasohol, Imports, Labeling, Liquors, Packaging and containers, Puerto Rico, Reporting and recordkeeping requirements, Research, Security measures, Surety bonds, Vinegar, Virgin Islands, Warehouses.

27 CFR Part 20

Alcohol and alcoholic beverages, Claims, Cosmetics, Excise taxes, Labeling, Packages and containers, Penalties, Reporting and recordkeeping requirements, Surety bonds.

27 CFR Part 21

Alcohol and alcoholic beverages.

27 CFR Part 27

Alcohol and alcoholic beverages, Beer, Cosmetics, Customs duties and inspection, Electronic fund transfers, Excise taxes, Imports, Labeling, Liquors, Packaging and containers, Reporting and recordkeeping requirements, Wine.

27 CFR Part 28

Aircraft, Alcohol and alcoholic beverages, Armed forces, Beer, Claims, Excise taxes, Exports, Foreign trade zones, Labeling, Liquors, Packaging and containers, Reporting and recordkeeping requirements, Surety bonds, Vessels, Warehouses, and Wine.

Proposed Amendments to the Regulations

For the reasons explained in the preamble, TTB proposes to amend 27 CFR parts 19, 20, 21, 27, and 28 as set forth below:

PART 19—DISTILLED SPIRITS PLANTS

1. The authority citation for part 19 continues to read as follows:

Authority: 19 U.S.C. 81c, 1311; 26 U.S.C. 5001, 5002, 5004–5006, 5008, 5010, 5041, 5061, 5062, 5066, 5081, 5101, 5111–5114, 5121–5124, 5142, 5143, 5146, 5148, 5171–5173, 5175, 5176, 5178–5181, 5201–5204, 5206, 5207, 5211–5215, 5221–5223, 5231, 5232, 5235, 5236, 5241–5243, 5271, 5273, 5301, 5311–5313, 5362, 5370, 5373, 5501–5505, 5551–5555, 5559, 5561, 5562, 5601, 5612, 5682, 6001, 6065, 6109, 6302, 6311, 6676, 6806, 7011, 7510, 7805; 31 U.S.C. 9301, 9303, 9304, 9306.

2. Section 19.412 is added under the undesignated center heading “Receipt of Spirits from Customs Custody” to read as follows:

§ 19.412 Importation of denatured spirits.

For provisions relating to the importation of denatured spirits, see § 27.222 of this chapter.

3. Section 19.607 is revised to read as follows:

§ 19.607 Article manufacture records.

Each processor qualified to manufacture articles must maintain daily manufacturing and disposition records, arranged by the name and authorized Use Code of the article, in the manner provided in part 20 of this chapter.

4. Section 19.746 is amended by revising paragraphs (b)(1)(xi) and (xii), adding paragraphs (b)(1)(xiii) through (xvi), and revising paragraph (c) to read as follows:

§ 19.746 Authorized materials.

* * * * *

(b) * * *

(1) * * *

(xi) Naphtha;

(xii) Straight run gasoline;

(xiii) Alkylate;

(xiv) High octane denaturant blend;

(xv) Methyl tertiary butyl ether; or

(xvi) Any combination of the materials listed in paragraphs (b)(1)(i) through (xv) of this section;

* * * * *

(c) Specifications. Specifications for the materials listed in paragraph (b) are found in part 21, subpart E, of this chapter.

* * * * *

PART 20—DISTRIBUTION AND USE OF DENATURED ALCOHOL AND RUM

5. The authority citation for part 20 continues to read as follows:

Authority: 26 U.S.C. 5001, 5206, 5214, 5271–5275, 5311, 5552, 5555, 5607, 6065, 7805.

6. Section 20.11 is amended by:

a. Revising the definition of “Specially denatured spirits”;

b. Adding, in alphabetical order, definitions for “Fit for beverage use, or fit for beverage purposes,” “Internal human use,” “TTB,” and “Unfit for beverage use, or unfit for beverage purposes”; and

c. Revising the Office of Management and Budget control number referenced at the end of the section.

The revisions and additions read as follows:

§ 20.11 Meaning of terms.

* * * * *

Fit for beverage use, or fit for beverage purposes. Suitable for consumption as an alcoholic beverage by a normal person, or susceptible of being made suitable for such consumption merely by dilution with water to an alcoholic strength of 15 percent by volume. The determination is based solely on the composition of the product and without regard to extraneous factors such as price, labeling, or advertising.

* * * * *

Internal human use. Use inside the human body, but not including use only in the mouth where the substance being used is not intended to be swallowed.

* * * * *

Specially Denatured Spirits or S.D.S. Specially denatured alcohol and/or specially denatured rum.

* * * * *

TTB. The Alcohol and Tobacco Tax and Trade Bureau, U.S. Department of the Treasury.

* * * * *

Unfit for beverage use, or unfit for beverage purposes. Not conforming to the definition of “Fit for beverage use, or fit for beverage purposes” in this section.

* * * * *

(Approved by the Office of Management and Budget under control number 1513–0061)

7. In § 20.41, paragraph (d)(1) is revised to read as follows:

§ 20.41 Application for industrial alcohol user permit.

* * * * *

(d) Exceptions. (1) The proprietor of a distilled spirits plant qualified under part 19 of this chapter is not required to qualify under this part for activities conducted at that plant’s bonded premises.

* * * * *

8. Section 20.63 is revised to read as follows:

§ 20.63 Adoption of formulas and statements of process.

(a) Adoption of formulas and statements of process is permitted:

(1) When a successor (proprietorship or fiduciary) adopts a predecessor's formulas and statements of process as provided in §§ 20.57(c) and 20.58; and

(2) When a permittee adopts for use at one plant, the formulas previously approved by TTB for use at another plant, or when a permittee adopts a formula previously approved by TTB for a parent or subsidiary, provided that in the case of a parent-subsidiary relationship the subsidiary is wholly-owned by the parent.

(b) The adoption will be accomplished by the submission of a certificate of adoption. The certificate of adoption shall be submitted to the appropriate TTB officer and shall contain:

(1) A list of all approved formulas or statements of process in which S.D.S. is used or recovered;

(2) The formulas of S.D.S. used or recovered;

(3) The dates of approval of the relevant Forms 1479–A or TTB Forms 5150.19:

(4) The applicable code number(s) for the article or process;

(5) The name of the permittee adopting the formulas, followed by the phrase, for each formula, "Formula of _____ (Name and permit number of permittee who received formula approval) is hereby adopted;" and

(6) In the case of a permittee adopting the formulas of another entity, evidence of its relationship to that entity.

(Approved by the Office of Management and Budget under control number 1513–0061)

9. Section 20.95 is revised to read as follows:

§ 20.95 Developmental samples of articles.

(a) Samples for submission to TTB. Prior to receiving formula approval on TTB Form 5150.19, a user may use S.D.S. in the manufacture of samples of articles for submission in accordance with § 20.92. However, the user may only use the limited quantity of S.D.S. that is necessary to produce the samples.

(b) Samples for shipment to prospective customers. Prior to submitting a formula and statement of process on TTB Form 5150.19, a user may use S.D.S. to prepare developmental samples of articles for shipment to prospective customers. Only one sample of each formulation of the article under development may be sent to each customer. Each sample shall be no larger than necessary for the customer to determine whether the product meets its requirements. The user shall maintain records showing:

(1) The types of product samples prepared;

(2) The size and number of samples sent, on a one-time basis, to each prospective customer; and

(3) The names and addresses of the prospective customers.

(c) Formula requirement. Before the user begins to make a quantity greater than specified in this section, formula approval on TTB Form 5150.19 is required.

(Approved by the Office of Management and Budget under control number 1513–0062)

10. Section 20.102 is revised to read as follows:

§ 20.102 Bay rum, alcoholado, or alcoholado-type toilet waters.

Unless manufactured exclusively for export under a formula approved by TTB and endorsed “For Export Only,” bay rum, alcoholado, or alcoholado-type toilet waters made with S.D.S. shall contain in each gallon of finished product:

(a) 71 milligrams of denatonium benzoate (also known as benzyldiethyl (2:6-xylylcarbamoyl methyl) ammonium benzoate) in addition to any of this material used as a denaturant in the specially denatured alcohol;

(b) 2 grams of tartar emetic; or

(c) 0.5 avoirdupois ounce of sucrose octaacetate.

§ 20.103 [Removed and Reserved]

11. Section 20.103 is removed and reserved.

12. Section 20.111 is amended by revising paragraph (a), adding paragraph (c), and revising the Office of Management and Budget control number referenced at the end of the section to read as follows:

§ 20.111 General.

(a) Formula approval obtained on TTB Form 5150.19 is not required for an article made in accordance with any approved general-use formula that is specified in §§ 20.112 through 20.124, that is approved by the appropriate TTB

officer as an alternate method, or that is published as a TTB Ruling on the TTB website at <http://www.ttb.gov>. However, a statement of process on TTB Form 5150.19 is still required in any of the circumstances described in § 20.94.

* * * * *

(c) The manufacturer shall ensure that each finished article made pursuant to a general-use formula is unfit for beverage use and is incapable of being reclaimed or diverted to beverage use or internal human use.

(Approved by the Office of Management and Budget under control number 1513-0061)

§ 20.112 [Amended]

13. In § 20.112, the last sentence of paragraph (a) introductory text is amended by removing the word “alcohol” and adding, in its place, the letters “S.D.A.”, and paragraph (a)(1) is amended by adding the words “propylene glycol monomethyl ether,” after the words “nitropropane (mixed isomers),”.

14. In § 20.113, the last sentence of the paragraph (a) introductory text is revised to read as follows:

§ 20.113 Proprietary solvents general-use formula.

(a) * * * A proprietary solvent made pursuant to this formula shall be made with alcohol denatured in accordance with S.D.A. Formula No. 1, 3-A, or 3-C and shall contain, for every 100 parts (by volume) of S.D.A.:

* * * * *

15. In § 20.114, the introductory text and paragraph (a) are revised to read as follows:

§ 20.114 Tobacco flavor general-use formula.

This tobacco flavor general-use formula authorizes the production of any finished article made with alcohol denatured in accordance with S.D.A. Formula No. 4 or S.D.R. Formula No. 4 which—

(a) Contains flavors sufficient to ensure that the article is unfit for beverage or internal human use,

* * * * *

16. In § 20.115, the introductory text and paragraph (a) are revised to read as follows:

§ 20.115 Ink general-use formula.

This ink general-use formula authorizes the production of any finished article made with alcohol denatured in accordance with S.D.A. Formula No 1, 3–A, 3–C, 13–A, 23–A, 30, or 32, or which—

(a) Contains pigments, dyes, or dyestuffs sufficient to ensure that the article is unfit for beverage use,

* * * * *

17. Section 20.116 is revised to read as follows:

§ 20.116 Low alcohol general-use formula.

This low alcohol general-use formula authorizes the production of any finished article containing not more than 5 percent alcohol by weight or volume. Articles containing no alcohol, or whose manufacture involves the recovery of

S.D.S., shall be covered by a statement of process on TTB Form 5150.19 submitted under § 20.94.

18. Section 20.117 is revised to read as follows:

§ 20.117 Reagent alcohol general-use formula.

(a) General. Reagent alcohol must be made in accordance with paragraph (b) of this section and labeled in accordance with paragraph (c) of this section. Reagent alcohol is—

(1) Treated as an article if distributed and used in accordance with paragraph (d) of this section; or

(2) Treated as S.D.A. if distributed and used in accordance with paragraph (e) of this section.

(b) Formula. Reagent alcohol shall be made with 95 parts (by volume) of S.D.A. 3–A, and 5 parts (by volume) of isopropyl alcohol. Water may be added at the time of manufacture. Reagent alcohol shall not contain any ingredient other than those specified in this paragraph.

(c) Labeling. (1) Each container of reagent alcohol, regardless of size, shall have affixed to it a label containing the following words that are as conspicuous as any other words on the container labels: “Reagent Alcohol: Specially Denatured Alcohol Formula 3–A, 95 parts by vol.; and Isopropyl Alcohol, 5 parts by vol.” If water is added at the time of manufacture, the label shall specify the composition of the product as diluted.

(2) Because undiluted reagent alcohol contains 4 percent by weight or more of methyl alcohol, the container shall have a label bearing a skull and

crossbones symbol and the following words: "Danger," "Poison," "Vapor harmful," "May be fatal or cause blindness if swallowed," and "Cannot be made nonpoisonous." However, if the addition of water reduces the methyl alcohol concentration to less than 4 percent by weight, the requirements of this paragraph do not apply.

(3) A back label shall be attached showing the word "ANTIDOTE," followed by suitable directions for an antidote.

(d) Distribution and use of reagent alcohol as an article. Reagent alcohol is treated as an article if distributed exclusively for the purpose of scientific use. Only the following distributions of reagent alcohol are permitted under this paragraph:

(1) For scientific use. (i) In smaller containers. The manufacturer or repackager of the reagent alcohol, or an S.D.S. dealer, may distribute reagent alcohol in containers not exceeding four liters to laboratories or other persons who require reagent alcohol for scientific use.

(ii) In bulk containers. The manufacturer of the reagent alcohol, or an S.D.S. dealer, may distribute reagent alcohol in containers larger than four liters to a laboratory or other person requiring reagent alcohol for scientific use if that laboratory or person is qualified to receive bulk shipments of reagent alcohol on [EFFECTIVE DATE OF FINAL RULE] or has received, from the appropriate TTB officer, approval of a letterhead application containing the following information:

(A) The applicant's name, address, and permit number, if any;

(B) An explanation of the applicant's need for bulk quantities of reagent alcohol;

(C) A description of the security measures that will be taken to segregate reagent alcohol from denatured spirits or other alcohol that may be on the same premises; and

(D) A statement that the applicant will allow any appropriate TTB officer to inspect the applicant's premises.

(2) For repackaging. The manufacturer of the reagent alcohol, or an S.D.S. dealer, may distribute reagent alcohol in containers larger than 4 liters to the persons specified in this paragraph. Those persons must repackage the reagent alcohol in containers not exceeding 4 liters, label the smaller packages in accordance with paragraph (c) of this section, and redistribute them in accordance with paragraph (d)(1)(i) of this section. The persons to whom reagent alcohol may be distributed in bulk for repackaging under this paragraph are:

(i) A proprietor of a bona fide laboratory supply house; and

(ii) Any other person who was qualified to receive bulk shipments of reagent alcohol on [EFFECTIVE DATE OF FINAL RULE], or who has received, from the appropriate TTB officer, approval of a letterhead application containing all of the information required by paragraph (d)(1)(ii)(A) through (D), in addition to the following:

(A) A statement that the applicant will comply with the labeling, packaging, and distribution requirements of paragraphs (c) and (d)(1) of this section; and

(B) A statement that the applicant will comply with the requirements of § 20.133.

(3) For redistribution. The manufacturer of the reagent alcohol, or an S.D.S. dealer, may distribute reagent alcohol in containers of any size to an S.D.S. dealer for redistribution in accordance with this section. An S.D.S. dealer distributing or redistributing reagent alcohol may repackage it in containers of any size permitted under this section that is necessary for the conduct of business.

(e) Distribution and use of reagent alcohol in manufacturing. Reagent alcohol is treated as S.D.A. if distributed for the purpose of manufacturing. The following requirements apply to reagent alcohol treated as S.D.A.:

(1) The manufacturer of the reagent alcohol, or an S.D.S. dealer, may distribute reagent alcohol in containers of any size to the persons specified in this paragraph for use in manufacturing.

(2) A person may receive reagent alcohol for use in manufacturing if the person:

(i) Holds a permit as an S.D.A. user;

(ii) Has received formula approval on TTB Form 5150.19 to use reagent alcohol in manufacturing; and

(iii) Treats the reagent alcohol as S.D.A., not an article.

(Approved by the Office of Management and Budget under control number 1513-0061)

§ 20.119 [Amended]

19. In § 20.119, the introductory text is amended by:

a. Removing the words “shall consist of” and adding, in their place, the word “describes”; and

b. Removing the word “formula” the second time it appears and adding, in its place, the word “formulation”.

20. In subpart F, §§ 20.120 through 20.124 are added to read as follows:

§ 20.120 General-use formula for articles made with S.D.A. 1, 3–A, 13–A, 19, 23–A, 23–H, 30, 32, 35–A, 36, 37, 38–D, 40, 40–A, or 40–B.

This general-use formula authorizes the manufacture of any article that:

(a) Is made with alcohol denatured in accordance with S.D.A. Formula No. 1, 3–A, 13–A, 19, 23–A, 23–H, 30, 32, 35–A, 36, 37, 38–D, 40, 40–A, and/or 40–B, but no other specially denatured spirits formula;

(b) Conforms to one of the Use Codes specified in part 21 of this chapter authorized for the S.D.A. formulation(s) being used to make the article, other than Use Code 900, as described in part 21 of this chapter; and

(c) Contains sufficient additional ingredients, other than the denaturants prescribed for the applicable S.D.A. formula(s) —

(i) To definitely change the composition and character of the S.D.A. used to make the article, and

(ii) To ensure that the finished article is unfit for beverage or internal human use, and, unless approved “for export only” under § 20.193(b), is incapable of being reclaimed or diverted to beverage use or internal human use.

§ 20.121 Vinegar general-use formula.

The vinegar general-use formula is a formula for making vinegar with alcohol denatured in accordance with S.D.A. Formula No. 18 in a process

whereby all of the ethyl alcohol, except residual alcohol within the limit specified in § 20.104, loses its identity by being converted to vinegar.

§ 20.122 S.D.A. 39–C general-use formula.

S.D.A. 39–C general-use formula is a formula for articles made with alcohol denatured in accordance with S.D.A. Formula No. 39–C. Articles made pursuant to this general-use formula shall contain, in each gallon of finished product, not less than 2 fl. oz. of perfume material (essential oils as defined in § 21.11, isolates, aromatic chemicals, etc.). Unless approved with the endorsement “for export only,” all articles made with alcohol denatured in accordance with S.D.A. Formula No. 39–C must be made in accordance with this formula.

§ 20.123 Pressurized container general-use formula.

This general-use formula describes an article, made with alcohol denatured in accordance with S.D.A. Formula No. 40–C, that will be packaged in pressurized containers in which the liquid contents are in intimate contact with the propellant and from which the contents are not easily removable in liquid form.

§ 20.124 Duplicating fluid and ink solvent general-use formula.

(a) Duplicating fluids and ink solvents under this general-use formula shall be made with alcohol denatured in accordance with S.D.A. Formula No. 1, 3–A, or 3–C and

(1) Shall contain, for every 100 parts (by volume) of denatured alcohol:

(i) No less than 1 part (by volume) of n-propyl acetate, and no less than 10 parts (by volume) of one or any combination of isopropyl alcohol or methyl alcohol; or

(ii) No less than 5 parts (by volume) of n-propyl acetate; and

(2) May contain additional ingredients.

(b) Duplicating fluids and ink solvents are intended for use in the printing industry, shall not be sold for general solvent use, and shall not be distributed through retail channels for sale as consumer commodities for personal or household use.

(c) If this article contains 4 percent or more by weight of methyl alcohol, the label shall have a skull and crossed bones symbol and the following words: "Danger," "Poison," "Vapor harmful," "May be fatal or cause blindness if swallowed," and "Cannot be made nonpoisonous."

21. In § 20.133, paragraph (b) is revised, paragraph (c) is added, and the Office of Management and Budget control number referenced at the end of the section is revised to read as follows:

§ 20.133 Registration of persons trafficking in articles.

* * * * *

(b) A person who reprocesses articles shall ensure that each article containing 0.5 percent or more alcohol by weight or volume is unfit for beverage or internal human use and is incapable of being reclaimed or diverted to beverage use or internal human use.

(c) The appropriate TTB officer will prohibit any of the activities described in paragraph (a) of this section if the activity jeopardizes the revenue or increases the burden of administering this part.

(Approved by the Office of Management and Budget under control number 1513–0061)

22. In § 20.134, paragraph (a) and the Office of Management and Budget control number referenced at the end of the section are revised to read as follows:

§ 20.134 Labeling.

(a) General. Except as otherwise provided in paragraph (b) or (c) of this section, the immediate container of each article shall, before removal from the manufacturer’s premises, bear the following information either directly on the container or on a label securely attached to it:

- (1) The name, trade name or brand name of the article; and
- (2) The name and address (city and State) of the manufacturer or distributor of the article.

* * * * *

(Approved by the Office of Management and Budget under control number 1513–0061)

§ 20.136 [AMENDED]

23. In § 20.136, the third sentence of paragraph (b) is amended by removing the words “Formula Nos.” and adding, in their place, the words “formulations”.

§ 20.141 [Amended]

24. In § 20.141, paragraph (a) is amended by removing the word “formula” the first time it appears, and adding, in its place, the word “formulation”, and by adding the words “formulations of” after the words “For example,”.

§ 20.170 [Amended]

25. Section 20.170 is amended by removing the word “formula” and adding, in its place, the word “formulation”.

§ 20.175 [Amended]

26. In § 20.175, paragraph (c) is amended by adding to the end of the sentence the words, “except as provided in 26 U.S.C. 5001(a)(4) and (5)”.

27. Section 20.183 is added under the undesignated center heading “Operations By Dealers” to read as follows:

§ 20.183 Exportation of S.D.S.

(a) General. Except as otherwise provided in paragraph (b) of this section, a dealer may export S.D.S. that conform to a formula specified in part 21 of this chapter to any country that allows the importation of such spirits. The exporting dealer shall:

(1) For each export shipment, prepare TTB Form 5100.11 in accordance with its instructions as a notice and submit it to the appropriate TTB officer;

(2) Mark each shipping container and case with the words “For Export”;

(3) Export the S.D.S. directly; and

(4) Retain appropriate documentation, such as invoices and bills of lading, as evidence that the denatured spirits were, in fact, exported.

(b) Exception. A dealer may not export under paragraph (a) of this section any spirits that conform to Formula No. 3–C, 29, or 38–B.

28. Section 20.189 is amended by revising paragraphs (c) and (d) to read as follows:

§ 20.189 Use of S.D.S.

* * * * *

(c) Unless otherwise authorized by the appropriate TTB officer, each formulation of S.D.S. may be used only for the purposes authorized for that formulation under part 21 of this chapter.

(d) By the use of essential oils and/or chemicals in the manufacture of each article containing 0.5 percent or more alcohol by weight or volume, the manufacturer shall ensure that:

(1) Each finished article is unfit for beverage use; and

(2) Unless approved “for export only” under § 20.193(b), each finished article is incapable of being reclaimed or diverted to beverage use or internal human use.

* * * * *

29. Section 20.193 is added to subpart I to read as follows:

§ 20.193 Articles for export.

(a) Articles approved without qualification, including articles made in accordance with one of the general-use formulas in §§ 20.111 through 20.124, may be exported without restriction.

(b) For each article for which the approved formula is endorsed "For Export Only" the manufacturer shall:

(1) Label the immediate container to clearly show that the article is for export (for example, with the words "For export only", "Not for sale in the United States", or "Manufactured for sale in _____");

(2) Mark the shipping containers and cases with the words "For Export";

(3) Export the article directly; and

(4) Retain appropriate documentation, such as invoices and bills of lading, as evidence that the article was, in fact, exported.

(c) All articles for export shall comply with the applicable requirements of the countries to which they are sent.

30. In § 20.204, paragraph (c) is revised to read as follows:

§ 20.204 Incomplete shipments.

* * * * *

(c) Subject to the limitations for loss prescribed in § 20.202, the shipper (dealer or distilled spirits plant proprietor) shall file a claim for allowance of the entire quantity lost, in the manner provided in that section. The claim shall include the applicable data required by § 20.205.

31. Section 20.222 is revised to read as follows:

§ 20.222 Destruction.

(a) Record of destruction. A permittee who destroys specially denatured spirits or recovered alcohol, or who transfers such material to another entity for destruction, shall prepare a record of destruction, which shall be maintained by

the permittee with the records required by subpart P of this part. The record shall identify—

- (1) The reason for destruction,
- (2) The date, time, location and manner of destruction,
- (3) The quantity involved and, if applicable, identification of containers,

and

- (4) The name of the individual who accomplished or supervised the destruction.

(b) Destruction by nonpermittees. In general, the destruction of specially denatured spirits and recovered alcohol shall be performed by a permittee or a distilled spirits plant. However, a nonpermittee may destroy recovered alcoholic material if the material has been determined by the appropriate TTB officer to be equivalent to an article. If the material is not so determined, destruction may only occur on the premises of the manufacturer who recovered the material, a distilled spirits plant, or a dealer permittee.

(Approved by the Office of Management and Budget under control number 1513–0062)

§ 20.262 [Amended]

32. Section 20.262 is amended in paragraphs (a) introductory text, (b), and (c) by removing the word “formula” and adding, in its place, the word “formulation”.

§ 20.263 [Amended]

33. Section 20.263 is amended in paragraphs (a) introductory text, (b), and (c) by removing the word “formula” and adding in its place, the word “formulation”.

34. In § 20.264, paragraphs (a)(1) and (2) are revised, paragraph (a)(4) is added, and the Office of Management and Budget control number referenced at the end of the section is revised to read as follows:

§ 20.264 User’s records and report of products and processes.

(a) Records. (1) Each user shall maintain separate accountings of—

(i) The number of gallons of each formulation of new S.D.S. used for each product or process, recorded by the code number prescribed by § 21.141 of this chapter; and

(ii) The number of gallons of each formulation of recovered S.D.S. used for each product or process, recorded by the code number prescribed by § 21.141 of this chapter.

(2) Each user who recovers specially denatured spirits shall maintain separate accountings of the number of gallons of each formulation of specially denatured spirits recovered from each product or process, recorded by the code number prescribed by § 21.141 of this chapter.

* * * * *

(4) Each user who manufactures articles for export subject to § 20.193(b) shall retain the documentation required by § 20.193(b)(4).

* * * * *

(Approved by the Office of Management and Budget under control number 1513–0062)

PART 21—FORMULAS FOR DENATURED ALCOHOL AND RUM

35. The authority citation of part 21 continues to read as follows:

Authority: 5 U.S.C. 552(a), 26 U.S.C. 5242, 7805.

36. Section 21.21a is added to read as follows:

§ 21.21a Formula No. 12–A.

Formula. To every 100 gallons of alcohol of not less than 185 proof add:

Five gallons of toluene or 5 gallons of heptane.

37. In § 21.24, paragraph (a) is revised to read as follows:

§ 21.24 Formula No. 20.

(a) Formula. To every 100 gallons of ethyl alcohol of not less than 195 proof add:

A total of 2.0 gallons of either unleaded gasoline, rubber hydrocarbon solvent, kerosene, deodorized kerosene, alkylate, ethyl tertiary butyl ether, high octane denaturant blend, methyl tertiary butyl ether, naphtha, natural gasoline, raffinate, or any combination of these; or

A total of 5.0 gallons of toluene.

* * * * *

38. In subpart C, § 21.25 is added to read as follows:

§ 21.25 Formula No. 35.

Formula. To every 100 gallons of alcohol of not less than 185 proof add:

29.75 gallons of ethyl acetate having an ester content of 100 percent by weight or the equivalent thereof not to exceed 35 gallons of ethyl acetate with an ester content of not less than 85 percent by weight.

39. In § 21.33, paragraph (a) is revised to read as follows:

§ 21.33 Formula No. 2–B.

(a) Formula. To every 100 gallons of alcohol add:

One-half gallon of rubber hydrocarbon solvent, ½ gallon of toluene, ½ gallon of heptane, ½ gallon of hexane (mixed isomers), or ½ gallon of n-hexane.

* * * * *

§§ 21.34, 21.36, 21.39, 21.40, 21.42, 21.45, 21.46, 21.48, 21.52 through 21.54, 21.60, 21.61, 21.66, 21.69, 21.70, 21.78, and 21.81 [Removed and Reserved]

40. Sections 21.34, 21.36, 21.39, 21.40, 21.42, 21.45, 21.46, 21.48, 21.52 through 21.54, 21.60, 21.61, 21.66, 21.69, 21.70, 21.78, and 21.81 are removed and reserved.

§ 21.35 [Amended]

41. In § 21.35, paragraph (a) is amended by adding the words “cyclohexane or” before the words “methyl alcohol.”

§ 21.63 [Amended]

42. In § 21.63, paragraph (a) is amended by adding the words “8.75 pounds of potassium hydroxide, on an anhydrous basis;” before the words “or 12.0 pounds of caustic soda,”.

§ 21.65 [Amended]

43. In § 21.65, the list in paragraph (a) is amended by adding entries reading “Cornmint oil.”, “Distilled lime oil.”, “L(-)-Carvone.”, “Lemon oil.”, and “Peppermint oil, Terpeneless.”, in appropriate alphabetical order.

44. In § 21.68, paragraphs (a)(1) and (2) are revised to read as follows:

§ 21.68 Formula No. 38-F.

(a) * * *

(1) Six pounds of either boric acid, N.F., Polysorbate 80, N.F., or Poloxamer 407, N.F.; 1¹/₃ pounds of thymol, N.F.; 1¹/₃ pounds of chlorothymol, N.F. XII; and 1¹/₃ pounds of menthol, U.S.P.; or

(2) A total of at least 3 pounds of any two or more denaturing materials listed under Formula No. 38-B, plus sufficient boric acid, N.F., Polysorbate 80, N.F., or Poloxamer 407, N.F. to total 10 pounds of denaturant; or

* * * * *

45. Section 21.91 is amended by adding a sentence at the end of the section to read as follows:

§ 21.91 General

* * * The authorization of a substitute denaturant may be published in a TTB Ruling.

46. Section 21.94a is added to read as follows:

§ 21.94a Alkylate.

(a) API gravity at 60 °F. 70.4.

(b) Reid vapor pressure (PSI). 5.60 maximum.

(c) Distillation (°F):

- (1) I.B.P. 109.0.
- (2) 10 percent. 186.6.
- (3) 50 percent. 221.1.
- (4) 90 percent. 271.8.
- (5) End point distillation. 375.7.

§§ 21.98, 21.103, 21.104, 21.111, 21.121, 21.122, and 21.128 [Removed and Reserved]

47. Sections 21.98, 21.103, 21.104, 21.111, 21.122, and 21.128 are removed and reserved.

48. Section 21.105a is added to read as follows:

§ 21.105a Cornmint oil (*Mentha arvensis* and *Mentha canadensis*).

- (a) Specific gravity at 25 °C. 0.895 to 0.905.
- (b) Refractive index at 20 °C. 1.4580 to 1.4590.
- (c) Optical rotation at 20 °C. -18° to -36° .
- (d) Alcohol content (as menthol). 65 percent minimum.
- (e) Ketone content (as menthone). 5 percent minimum.

49. Section 21.105b is added to read as follows:

§ 21.105b Cyclohexane.

- (a) Specific gravity at 20 °C. 0.75 to 0.80.
- (b) Odor. Characteristic odor.

50. Section 21.106a is added to read as follows:

§ 21.106a Distilled lime oil (*Citrus aurantifolia*).

- (a) Specific gravity at 25 °C. 0.850 to 0.870.
- (b) Refractive index at 20 °C. 1.4740 to 1.4780.

- (c) Optical rotation at 20 °C. +30° to +50°.
- (d) Aldehyde content (as citral). 0.5 to 3.0 percent.
- (e) Terpene content (as limonene). 45 percent minimum.

51. Section 21.108a is added to read as follows:

§ 21.108a Ethyl tertiary butyl ether.

- (a) Purity. ≥95.0 percent.
- (b) Color. Colorless to light yellow.
- (c) Odor. Terpene-like.
- (d) Specific gravity at 20 °C. 0.70 to 0.80.
- (e) Boiling point (°C). 73.

52. Section 21.112a is added to read as follows:

§ 21.112a Hexane (mixed isomers).

- (a) General. Minimum 55 percent n-hexane.
- (b) Distillation range. No distillate should come over below 150°F and none above 160°F.
- (c) Odor. Characteristic odor.

53. Section 21.112b is added to read as follows:

§ 21.112b n-Hexane.

- (a) General. Minimum 97 percent purity.
- (b) Distillation range. No distillate should come over below 150 °F and none above 160 °F.
- (c) Odor. Characteristic odor.

54. Section 21.112c is added to read as follows:

§ 21.112c High octane denaturant blend.

- (a) API Gravity at 60 °F. 40 to 65.
- (b) Reid Vapor Pressure (PSI). 6 to 15.
- (c) Isopropyl alcohol. 24 to 40 percent volume.
- (d) Methyl alcohol. 1.6 to 9.6 percent volume.
- (e) Diisopropyl ether (DIPE). 4 to 12 percent volume.
- (f) tert-Butyl alcohol. 4 to 12 percent volume.
- (g) Iso-pentane. 4 to 9 percent volume.
- (h) Pentane. 4 to 9 percent volume.
- (i) Pentene. 0 to 2.4 percent volume.
- (j) Hexane. 2 to 6 percent volume.
- (k) Heptane. 1 to 3 percent volume.
- (l) Sulfur (ppm). 0 to 120.
- (m) Benzene (% vol.). 0 to 1.1.
- (n) Distillation (°F):
 - (1) 10 percent. 80 to 168.
 - (2) 50 percent. 250.
 - (3) End point distillation. 437.

55. Section 21.115a is added to read as follows:

§ 21.115a Lemon oil (Citrus limonium).

- (a) Specific gravity at 25 °C. 0.850 to 0.860.
- (b) Refractive index at 20 °C. 1.4570 to 1.4580.
- (c) Optical rotation at 20 °C. +55° to +65°.

(d) Terpene content (as limonene). 65 percent minimum.

56. Section 21.115b is added to read as follows:

§ 21.115b L(-)-Carvone.

(a) Specific gravity at 25 °C. 0.955 to 0.965.

(b) Refractive index at 20 °C. 1.495 to 1.500.

(c) Angular rotation. -57° to -62° .

(d) Assay. Not less than 97.0 percent.

57. Section 21.118a is added to read as follows:

§ 21.118a Methyl tertiary butyl ether.

(a) Purity. ≥ 97.0 percent.

(b) Color. Clear, colorless.

(c) Odor. Turpentine-like.

(d) Specific Gravity at 20 °C. 0.70 to 0.80.

(e) Boiling Point (°C). 55.

58. Section 21.118b is added to read as follows:

§ 21.118b Naphtha.

(a) API Gravity at 60 °F. 30 to 85.

(b) Reid Vapor Pressure (PSI). 8 maximum.

(c) Specific Gravity at 20 °C. 0.70 to 0.80.

(d) Distillation (°F):

(1) I.B.P. 85 maximum.

(2) 10 percent. 130 maximum.

(3) 50 percent. 250 maximum.

- (4) 90 percent. 340 maximum.
- (e) End point distillation. 380 maximum.
- (f) Copper corrosion. One (1).
- (g) Sabolt color. 28 minimum.

59. Section 21.118c is added to read as follows:

§ 21.118c Natural gasoline.

Natural gasoline is a mixture of various alkanes including butane, pentane, and hexane hydrocarbons extracted from natural gas. It has a distillation range wherein no more than 10 percent by volume of the sample may distill below 97°F; at least 50 percent by volume shall distill at or below 156°F; and at least 90 percent by volume shall distill at or below 209°F.

60. Section 21.121 is revised to read as follows:

§ 21.121 Peppermint oil, Terpeneless.

- (a) Specific gravity at 25 °C. 0.890 to 0.910.
- (b) Refractive index at 20 °C. 1.455 to 1.465.
- (c) Esters as menthyl acetate. 5 percent minimum.
- (d) Menthol (free and esters). 5 percent minimum.

61. Section 21.121a is added to read as follows:

§ 21.121a Potassium Hydroxide.

- (a) Color. White or yellow.
- (b) Specific gravity at 20 °C. 1.95 to 2.10.
- (c) Melting point. 360 °C.
- (d) Boiling point. 1320 °C.

(e) pH (0.1M solution). 13.5.

62. Section 21.124a is added to read as follows:

§ 21.124a Raffinate.

(a) API Gravity at 60 °F. 30 to 85.

(b) Reid Vapor Pressure (PSI). 5 to 11.

(c) Octane (R+M/2). 66 to 70.

(d) Distillation (°F):

(1) 10 percent. 120 to 150.

(2) 50 percent. 144 to 180.

(3) 90 percent. 168 to 200.

(4) End point distillation. 216 to 285.

63. Section 21.130a is added to read as follows:

§ 21.130a Straight run gasoline.

(a) General. Straight run gasoline is a mixture consisting predominantly (greater than 60 percent by volume) of C₄, C₅, C₆, C₇ and/or C₈ hydrocarbons, and is either:

(1) A petroleum distillate coming straight from an atmospheric distillation unit without being cracked or reformed, or

(2) A condensate coming directly from an oil/gas recovery operation.

(b) API gravity. 72° minimum, 85° maximum.

(c) Reid vapor pressure (PSI). 15 maximum.

(d) Sulfur. 120 ppm maximum.

(e) Benzene. 1.1 percent by volume maximum.

(f) Distillation (°F):

(1) 10 percent. 97 minimum, 158 maximum.

(2) 50 percent. 250 maximum.

(3) Final boiling point. 437 maximum.

64. Section 21.132 is revised to read as follows:

§ 21.132 Toluene.

(a) Specific Gravity at 15.56°/15.56°C. 0.80 to 0.90.

(b) Boiling point (°C). 110.6.

(c) Distillation range (°C). Not more than 1 percent by volume should distill below 109, and not less than 99 percent by volume below 112.

(d) Odor. Characteristic odor.

§ 21.141 [Amended]

65. In § 21.141, the table is amended by:

- a. Removing the entry for “Antiseptic, bathing solution (restricted).”, and
- b. Removing each reference to “2–C”, “3–B”, “6–B”, “12– A”, “17”, “20”, “22”, “23–F”, “27”, “27–A”, “27–B”, “33”, “35”, “38–C”, “39”, “39–A”, “42”, and “46” in the column headed “Formulas authorized.”

§ 21.151 [Amended]

66. In § 21.151, the table is amended by:

- a. Removing the entries for “Benzene”; “Bone oil (Dipple’s oil)”; “Chloroform”; “Cinchonidine”; “Cinchonidine sulfate, N.F. IX”; “Gentian violet”; “Gentian violet, U.S.P.”; “Mercuric iodide, red N.F. XI”; “Phenyl mercuric benzoate”; “Phenyl mercuric chloride, N.F. IX”; “Phenyl mercuric nitrate, N.F.”;

“Pine tar, U.S.P.”; “Pyridine bases”; “Quassia, fluid extract, N.F. VII”; “Quinine, N.F. X”; “Quinine dihydrochloride, N.F. XI”; “Resorcinol (Resorcin), U.S.P.”; “Salicylic acid, U.S.P.”; “Sodium, metallic”; and “Thimerosal, U.S.P.”;

b. Removing each remaining reference to “2-C”, “22”, “23-F”, “27”, “27-A”, “27-B”, “38-C”, “39”, “39-A”, “42”, and “46”; and

c. Revising the entries for “Ethyl acetate”, and “Toluene”, and adding entries for “Alkylate”, “Cornmint oil”, “Cyclohexane”, “Distilled lime oil”, “Ethyl tertiary butyl ether”, “Hexane”, “n-Hexane”, “High octane denaturant blend”, “L(-)-Carvone”, “Lemon oil”, “Methyl tertiary butyl ether”, “Naphtha”, “Natural gasoline”, “Peppermint oil, terpeneless.”, “Poloxamer 407 N.F.”, “Potassium hydroxide”, “Raffinate”, and “Straight run gasoline”.

The revisions and additions read as follows:

§ 21.151 List of denaturants authorized for denatured spirits.

* * * * *

Denaturants Authorized for Completely Denatured Alcohol (C.D.A), Specially Denatured Alcohol (S.D.A.), and Specially Denatured Rum (S.D.R.)

* * * * *

Alkylate C.D.A. 20.

* * * * *

Cornmint oil S.D.A. 38-B.

Cyclohexane S.D.A. 3-A.

* * * * *

Distilled lime oil S.D.A. 38-B.

*	*	*	*	*	*	*
	Ethyl acetate					C.D.A. 35; S.D.A. 29, 35–A.
*	*	*	*	*	*	*
	Ethyl tertiary butyl ether					C.D.A. 20.
*	*	*	*	*	*	*
	Hexane					S.D.A. 2–B.
	<u>n</u> -Hexane					S.D.A. 2–B.
*	*	*	*	*	*	*
	High octane denaturant blend					C.D.A. 20.
*	*	*	*	*	*	*
	L(–)-Carvone					S.D.A. 38–B.
*	*	*	*	*	*	*
	Lemon oil					S.D.A. 38–B.
*	*	*	*	*	*	*
	Methyl tertiary butyl ether					C.D.A. 20.
*	*	*	*	*	*	*
	Naphtha					C.D.A. 20.
	Natural gasoline					C.D.A. 20.
*	*	*	*	*	*	*
	Peppermint oil, terpeneless					S.D.A. 38–B.
*	*	*	*	*	*	*
	Poloxamer 407, N.F.					S.D.A. 38–F.
*	*	*	*	*	*	*

Potassium hydroxide S.D.A. 36.

* * * * *

Raffinate C.D.A. 20.

* * * * *

Straight run gasoline C.D.A. 20.

* * * * *

Toluene C.D.A. 12-A; S.D.A. 2-B.

* * * * *

§ 21.161 [Amended]

67. In § 21.161, the table is amended by removing the entries for “2-C”, “3-B”, “6-B”, “12-A”, “17”, “20”, “22”, “23-F”, “27”, “27-A”, “27-B”, “33”, “35³”, “35⁴”, “38-C”, “39”, “39-A”, “42”, and “46”.

PART 27—IMPORTATION OF DISTILLED SPIRITS, WINES, AND BEER

68. The authority citation for part 27 is revised to read as follows:

Authority: 5 U.S.C. 552(a), 19 U.S.C. 81c, 1202; 26 U.S.C. 5001, 5007, 5008, 5010, 5041, 5051, 5054, 5061, 5121–5124, 5201, 5205, 5207, 5232, 5273, 5301, 5313, 5555, 6302, 7805.

69. Section 27.222 is added to read as follows:

§ 27.222 Importation of denatured spirits and fuel alcohol.

Denatured spirits and fuel alcohol are treated as spirits for purposes of this part and are subject to tax pursuant to § 27.40(a). The tax must be paid upon importation, with only two exceptions: spirits may be withdrawn from customs custody free of tax for the use of the United States under subpart M of this part;

and spirits may be withdrawn from customs custody and transferred to a distilled spirits plant, including a bonded alcohol fuel plant, without payment of tax under subpart L of this part. After transfer pursuant to subpart L, denatured spirits or fuel alcohol may be withdrawn free of tax in accordance with part 19 of this chapter if they meet the standards to conform either to a denatured spirits formula specified in part 21 of this chapter (for withdrawal from a regular distilled spirits plant) or a formula specified in § 19.746 of this chapter (for withdrawal from an alcohol fuel plant). Such withdrawal is permitted, even though the denaturation or rendering unfit for beverage use may have occurred, in whole or in part, in a foreign country. For purposes of this chapter, the denaturation or rendering unfit is deemed to have occurred at the distilled spirits plant (including the alcohol fuel plant), the proprietor of which is responsible for compliance with part 21 or § 19.746, as the case may be. Imported fuel alcohol shall also conform to the requirements of 27 CFR 19.742.

PART 28—EXPORTATION OF ALCOHOL

70. The authority citation for part 28 continues to read as follows:

Authority: 5 U.S.C. 552(a); 19 U.S.C. 81c, 1202; 26 U.S.C. 5001, 5007, 5008, 5041, 5051, 5054, 5061, 5121, 5122, 5201, 5205, 5207, 5232, 5273, 5301, 5313, 5555, 6302, 7805; 27 U.S.C. 203, 205, 44 U.S.C. 3504(h).

71. Section 28.157 is added to read as follows:

§ 28.157 Exportation by dealer in specially denatured spirits.

A dealer in specially denatured spirits who holds a permit under part 20 of this chapter may export specially denatured spirits in accordance with § 20.183 of this chapter.

Signed: December 12, 2012

John J. Manfreda

Administrator.

Approved: April 14, 2013

Timothy E. Skud

Deputy Assistant Secretary
(Tax, Trade and Tariff Policy).

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