

C-21 Tax- Free Alcohol Program

I. Purpose

This chapter contains guidelines for the procurement and use of tax-free alcohol.

II. Background

In the performance of scientific research, it is the policy of the NCI-Frederick to use tax-free alcohol controlled by the U.S. Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau (TTB) and the Alcohol and Tobacco Tax Division of the state of Maryland. NCI-Frederick holds the Logistics Support Department (LSD) of the OTS Contractor and the off-site facility program director or his or her alternate accountable for the receipt, storage, and dispensing of tax-free alcohol. Denatured ethanol and isopropyl alcohol are not regulated and should be used when possible.

III. Policy

The policy applies to all Contractor and Government employees who work at NCI-Frederick Frederick and off-site facilities.

IV. Definitions

Audit - A Systematic check or assessment, especially of the efficiency or effectiveness of an organization or a process, typically carried out by an independent assessor.

Denatured Alcohol - Denatured Alcohol is ethanol that has additives to make it poisonous, unpalatable, and thus, undrinkable. The alcohol "has been so thoroughly denatured that the product is utterly unfit for beverage use, and the denaturants used are very nearly inseparable from the alcohol. The use of [denatured alcohol] is authorized without permit restrictions because of the reduced risk that the pure alcohol can be extracted and diverted to beverage use," according to the Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau (<http://www.ttb.gov/industrial/sda.shtml>).

Inventory - The merchandise or stock that a store or company has on hand.

Tax-free Alcohol - "Tax-free alcohol is the substance known as ethyl alcohol or ethanol having a proof of 190 degrees or more when withdrawn from the bonded premises of a distilled spirits plant free of tax, including all subsequent dilutions and mixtures of ethyl alcohol," according to the Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau,

Information for Tax-free Alcohol Applicants

(http://www.ttb.gov/tax_audit/p51504.pdf). It is un-denatured alcohol used for nonbeverage purposes in scientific research and medicinal uses by educational organizations, hospitals, laboratories, etc. The use of alcohol free of tax is regulated to prevent illegal diversion to taxable beverage use.

V. Responsibilities

Contracts and Acquisitions Directorate: Maintain all requisite procurement authorizations with applicable federal and state regulatory agencies.

Environment, Health and Safety (EHS) Directorate:

1. Performs the initial review and approval of a program to receive and use tax free alcohol.
2. Verifies that storage location and security obligations meet minimum requirements.
3. Performs an audit of each tax free alcohol logbook on a semi-annual basis.
4. Reports any deficiencies to NCI-Frederick and the Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau.
5. Provide assistance to laboratory personnel in inventory control procedures, secure storage, and proper disposal of alcohol; and
6. Provide the LSD with a list of investigators and alternates who are authorized to receive tax-free alcohol.

Logistics Support Department:

1. Ensure that the receipt, storage, and issue of accountable materials at the NCI-Frederick Receiving Department are in compliance with federal and state regulations;
2. Deliver tax-free alcohol to only authorized investigators or designated alternates on-site; and
3. Maintain records of tax-free alcohol dispensed to investigators from the NCI-Frederick Central Supply Warehouse.

NCI-Frederick Contractor and Government Investigators

1. Ensure that the receipt, storage, and issue of accountable materials are in compliance with federal and state regulations;
2. Use alternative materials (denatured ethanol or isopropyl alcohol) when possible;
3. Review, confirm, and communicate requirements for tax-free alcohol in laboratories for which they are responsible; and
4. Authorize the requisition and monitor the receipt, storage, inventory, dispensing, use, and disposal of tax-free alcohol.

Off-site Program Directors

1. Ensure that the receipt, storage, and issue of accountable materials at the off-site Receiving Department are in compliance with federal and state regulations; and
2. Maintain records of tax-free alcohol dispensed to authorized investigators/users.

VI. PROCEDURE

1. Permits to procure and use tax-free alcohol on the NCI-Frederick campus and at off-site facilities are secured by the Contracts and Acquisitions Directorate, of the OTS Contractor from the Federal and State controlling agencies.
2. The manager, LSD, must maintain secure, flammable materials storage for alcohol and shall not exceed authorized storage quantities. Each off-site program director or his or her alternate must maintain the same for alcohol storage as authorized under the off-site alcohol permit.
3. Records of tax-free alcohol dispensed to investigators are to be maintained by the manager, LSD, for on-site deliveries and by the off-site program director or his or her alternate for off-site deliveries.
4. Investigators shall approve all requests for withdrawal of tax-free alcohol from the warehouse or off-site storage area.
5. Laboratory personnel, as designated by the investigator, will personally sign for receipt of the tax-free alcohol.
6. Alcohol must be stored in a secure location within the laboratory in quantities not to exceed the amount needed for experimentation and/or production.
7. The investigator shall send a written justification for the proposed use of tax-free alcohol to the EHS Directorate of the OTS Contractor. This request must contain the following information:
 - a. The name and telephone number of the proposed tax-free alcohol Officer and alternates
 - b. Building and room number
 - c. Description of the security provisions (locked cabinet, safe, etc)
 - d. Where the alcohol will be stored.

The justification for tax-free alcohol must be clearly stated. Upon approval, EHS will assign a logbook number, issue a logbook, and add the investigator to the authorized list of users of tax-free alcohol. The logbook records:

- a. the person withdrawing the alcohol;

- b. the quantity dispensed;
- c. the date dispensed;
- d. the use of the alcohol; and
- e. the volume on hand.

EHS will record the locations of these logbooks and perform unannounced audits of logbooks and operating practices at least semi-annually. Failure to follow authorized procedures will result in suspension or termination of authorization to request, receive, store, or use tax-free alcohol. Denatured alcohol is not regulated. EHS authorization, secure storage, and logbooks are not required for the use of denatured alcohol. Due to simplified procedures for the use of denatured alcohol, denatured alcohol should be used when possible.

VII. Records Retention and Disposal:

All records (e-mail and non-e-mail) pertaining to this chapter must be retained and disposed of under the authority of SAIC Corporate Administrative Handbook Policy SG-18: "Records Retention".

VIII. References:

1. Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau, *Information for Tax-free Alcohol Applicants* (http://www.ttb.gov/tax_audit/p51504.pdf).
2. Department of the Treasury Alcohol and Tobacco Tax and Trade Bureau web site: <http://www.ttb.gov/industrial/sda.shtml>